



From Budget Wins to Policy Loops: Final Week Under the Dome

Hello and Happy Monday!

The final week of the Illinois legislative session felt less like a sprint and more like a roller coaster, complete with sudden drops, hairpin turns, and a few loop-de-loops that left even seasoned Capitol observers dizzy. There were late-night committee hearings, floor debates that ran into the early hours, and the usual flurry of last-minute amendments, sponsor swaps, resuscitated bills, and the kind of strategic vote-trading that only Springfield in May can deliver. As the cars finally screeched into the station late Saturday night (or rather early Sunday morning), lawmakers had passed a budget and tied a bow on several policy issues, though not without a few white-knuckle moments along the way. It was a whirlwind finish to a fast-paced session. Buckle up as I walk you through (some of) the events and shenanigans that unfolded last week in the Spring session's final Capitol Watch.

FY26 State Operating Budget

The FY26 appropriation bill was filed on a shell of [SB 2510](#) after 6:00 p.m. on Friday evening with few surprises compared to the Governor's proposed budget from February. The total revenue projections were reported to be roughly \$55.4B and the budget proposed \$55.2B in expenditures, solidifying the "tight budget year" we have been hearing about for several months. The bill was heard in the House Executive committee after 9:00 p.m. where Democrat leaders faced several hours of questioning from Republicans on the content of the package. Ultimately, the bill underwent several revisions before passing the House late Saturday night as [House Amendment 3](#), and was then sent to the Senate where it was passed around 11:30 p.m. The FY26 budget provides for an additional \$275 million in General Revenue Funds for K12 education over the FY25 funding level. Below are the highlights and in-depth information about some of the high interest line items of the education budget:

Highlights of FY26 Education Budget Increases Over FY25 Funding Levels

- \$307 million increase for Evidence-Based Funding
- \$20 million increase for Mandated Categorical Programs (orphanage only)
- \$10 million increase for After School Programs
- \$6 million increase for After School Matters
- \$5 million in new programming for Teacher Mentoring (IEA)
- \$1.3 million increase for Career and Technical Education
- \$1.5 million increase for Implementation of the Comprehensive Literacy/Numeracy Plans

Evidence Based Funding

Despite a tight budget year where some programs received flat funding or even cuts, the General Assembly continued to signal its strong support for equitable funding for K12 schools by allocating an additional \$307 million for EBF. \$300 million is expected to be distributed through tier funding, and \$7 million will be allocated for regional safe schools. The Property Tax Relief Grant did not receive its annual \$50 million increase,

effectively pausing the program for at least one year. Districts that received the grant last year will still have it this coming year, but no new applications will be accepted for FY26. During committee, it was stated that there is a belief that the program has not functioned as it was originally intended, so there is a desire to review it this year during the pause to determine if changes are needed.

Mandated Categoricals (MCATS)

The GA accepted the Governor's proposal for MCAT funding, resulting in increases to orphanage line items only. Increases totaling \$20 million will ensure those lines continue to be funded at 100% (\$7 million for orphanage and \$13 million for special education orphanage); however, line items for private facility tuition, special education transportation, and regular transportation received no increases. Estimates from ISBE suggest that with flat funding for the other line items, coupled with the expected increases to claims for FY26, Regular Transportation funding proration will fall to 71% and Special Education Transportation proration will fall to 61%. Private Facility Tuition funding is too variable to estimate at this time due to the pending changes to the process to allow for tuition reimbursement for students who attend public day facilities.

Teacher Vacancy Grant Pilot Program

This program, which has been funded at \$45 million for the last two budget cycles, was funded again for FY26, but at a lower amount. Funding of \$30 million was allocated, likely resulting in changes to allocations for the districts that have been receiving this grant.

After School Programs

The FY25 budget saw an increase of \$50 million for After School Programs, which was added as a separate line item from the traditional \$25 million allocated for this purpose. Due to administrative issues with allocation authority, ISBE was not able to disperse dollars under the newly created line item. This year, the FY26 budget includes a \$10 million increase over the \$25 million original line item, bringing the total for program allocation to \$35 million for the upcoming school year.

Pensions

After several years of warning about a potential violation of the Social Security Safe Harbor standard, the budget included funding to "fix" the issue. Specifically, Democrats signaled that \$75 million would be included to address the concern, but were vague on the details of how that would be achieved. In the final version of the BIMP, language was included to allow for transfer of up to \$75 million from the General Revenue fund to a newly created Social Security Wage Base Reserve Fund (described below).

Budget Implementation Bill (BIMP)

While the appropriations bill designates the dollar amounts to be appropriated to certain programs, there is always a companion "BIMP" bill that contains legislative changes necessary to authorize the distribution of those funds. That bill was filed on Saturday morning on an amendment to [HB 1075](#), and passed with only a few minutes to spare before midnight. The 700 page bill included language relating to Tier 2 pensions, Property Tax Relief Grants, Evidence-Based Funding, and the submission of claims for Private Facility Reimbursement. The proposal underwent several amendments before landing on [Senate Amendment 4](#).

Tier 2 Social Security Wage Base Reserve Fund

As many of you are aware, there has been growing concern that Illinois' Tier 2 pension benefits may not meet the minimum retirement benefit requirements under federal law—specifically, the Social Security "safe harbor" provision. This provision exempts public employees from paying SS taxes if their retirement system provides a benefit that is at least equivalent to SS. To proactively address this issue, the General Assembly used the BIMP to create the *Tier 2 SSWB (Social Security Wage Base) Reserve Fund*. This special fund in the State Treasury could receive money from any authorized source, including legislative appropriations, and

would be used to cover the cost of adjustments needed to bring Tier 2 benefits into compliance with federal standards.

While the bill does not immediately increase Tier 2 benefits, it creates a financial mechanism to support future changes (such as raising the Tier 2 pensionable salary cap) should a federal determination conclude that benefits fall below the required threshold. If such a determination is made, the fund would provide supplemental payments to ensure affected employees receive the minimum benefit necessary to maintain exemption from Social Security (FICA) taxes. The legislation also includes a continuing appropriation to ensure funding is available for these purposes without requiring additional legislative action each year. This is an important step toward safeguarding both the State, public employers, and Tier 2 members from the financial consequences of falling out of federal compliance.

Private Facility Tuition Reimbursement Claims

In anticipation of the changes to the private facility reimbursement allowance, the BIMP included language to allow for claims to be submitted through September 15 of this year, rather than August 15. The Administrative Rules for the new law passed last year which will allow reimbursement for tuition costs for students who attend public day facilities, are set to be finalized this month. Given the potential for a quick turnaround for districts to be able to get approval for public day facilities through the required process, the claim submission timeline was extended by one month. Similarly, in anticipation of ISBE needing additional time to make determinations on the voucher amounts for each school district, the vouchers will now be payable in November, December and March, rather than in September, December and March.

Evidence-Based Funding Formula

Two changes were made in the EBF statute through the BIMP. First, the requirement that funds be set aside for the purposes of funding the Property Tax Relief Grant in years where more than \$300 million is added to the funding formula, was removed. The language only eliminates the requirement for FY26, so if there are to be any changes to the program or pauses in subsequent years, additional language would need to be filed in the next legislative session.

Second, the comparable wage index used to make determinations for the Evidence-Based Funding formula elements will now be developed through the University of Illinois, rather than relying on the original study conducted by Texas A&M University.

Other Legislative Business

Although the budget, BIMP, and revenue bills usually take center stage in the final week of legislative action, there are always a number of other items that pop up during the last days of session. As always, some of those are good and some are not so good. Below you can find a breakdown of some of the highlights and lowlights of legislative action in the final week.

Good Surprises

[SB 404](#) / [HB 2967](#) - A proposal that aimed to make changes to the Dual Credit Quality Act (SB 404) sailed through the Senate Higher Education committee on an agreed bill list, but was not heard on the Senate floor before time ran out on Wednesday. It is possible that occurred due to confusion and frustration related to a *separate* bill creating waves in the Capitol last week that would have allowed Community Colleges to concur baccalaureate degrees for certain subjects. (The initiative of the Governor's Office generated a lot of frustration due to concerns from institutions of higher education that many members felt were being ignored, and ultimately was not passed.) However, following the clearing up of the confusion between the two bills, the dual credit proposal received new life in the form of HB 2967 on Thursday and eventually passed through both chambers with unanimous votes. (Every once in a while we are able to use the trickery of the final week to our advantage!)

This bill establishes new rules and processes for how school districts partner with higher education institutions to offer dual credit courses to high school students. It gives local community colleges the right of first refusal, requiring school districts to first try to form partnerships with their local community college before seeking other post-secondary partners. Each school district and community college must assign a liaison to begin negotiations, and an agreement must be reached within 60 days, or the district can move on to another possible partnership. Additionally, previous language that would have required a default to a model partnership agreement after 180 days has been removed.

The bill also provides that a school district may only contract with an out-of-state institution for dual credit if it has first demonstrated to the Illinois Community College Board (ICCB) that it has explored all options with in-state institutions. However, any current out-of-state contracts are allowed to continue. An appeals process is also created: if a community college rejects a school district's course request, it must notify the district within 30 days. The school district can then appeal that decision to ICCB. If ICCB sides with the school district, the district may seek another provider. If ICCB sides with the community college, the district must accept the decision.

The bill also creates a Dual Credit Standing Committee to support implementation and oversight. It will include 10 members appointed by the State Superintendent (including two representing teacher organizations) and 10 members appointed by the ICCB Executive Director (including two representing faculty organizations). This bill was negotiated between K12 and CCs, strikes an agreeable balance between the two entities that will keep students at the forefront of decision-making, and marks the culmination of several years of negotiation.

HB 22 - Allows impact fees to be considered when municipalities, school districts, and developers negotiate agreements related to the construction of new housing, specifically when the new units will result in increased enrollment for local school districts that may create the need for new school construction to provide adequate space for the increased enrollment. The bill was able to clear the concurrence hurdle before time ran out and is expected to be signed this summer.

SB 243 - Following documented increases in the abuse of the FOIA process, the GA took up a measure to make some minor changes to the process. An omnibus package was filed on Saturday with a handful of welcome changes, and although it passed the House with unanimous support, the time simply ran out for it to receive a concurrence vote in the Senate. We are hoping to be able to move it if lawmakers return for a veto session in the Fall. Specifically, the bill would allow public bodies to require requests suspected to be generated by artificial intelligence to verify orally or in writing that the requester is an actual person. The response deadline will be paused until the requester completes the verification, and if the verification fails to be completed within 30 days, the request may be denied. This change is in response to widespread FOIA requests across the state that are suspected to have been AI generated. The bill further requires full records requests to appear in the body of an electronic communication and provides that the public body may not be required to open an attachment to read the request. The public body must notify the requester within five business days that the request needs to be resubmitted within the body of an email. This change aims to protect public bodies from being subject to virus and malware attacks.

Not So Good Surprises

HB 3247 - Although this bill appeared to be dormant after sitting in the House without movement for over six weeks, it unexpectedly resurfaced with a floor amendment, quickly passed the House, and was immediately sent to the Senate. There, it moved swiftly, passing out of committee without an opportunity for debate and clearing the Senate floor along party lines, barely receiving the minimum votes needed due to several Democrats either voting No or choosing not to vote. The bill aims to codify in state law the procedures school districts already follow regarding immigration issues, consistent with the *Plyler v. Doe* Supreme Court decision. However, it introduces a new and unprecedented enforcement mechanism, allowing aggrieved

parties to file civil lawsuits against school districts, with courts authorized to award damages and attorneys' fees. The amendment language raised significant concerns, particularly its expansion of restrictions to all law enforcement, and not just immigration enforcement agents. There are even suggestions that the bill could prohibit law enforcement from entering school buildings unless a defined emergency exists. This is one to watch closely, and we strongly encourage you to watch for legal updates from your board attorney should the bill be signed into law.

HB 2970 - After remaining dormant for four weeks, on Tuesday (in the span of about two hours) the IEA initiative to allow Notices to Remedy to be grieved, received a deadline extension, was released from Assignments, was handed over to a new sponsor, received an amendment with brand new language (making the bill even more problematic), and was assigned to the Senate Labor committee. Despite over 500 opposition witness slips filed, the bill sailed through committee with all Democrats and one Republican voting in favor of the proposal. Following your advocacy on witness slips and calls to committee members, we were able to secure a commitment that the bill would not be heard this session, however, we are expected to continue negotiations over the summer, as this is a top IEA priority.

Other Action (and Inaction)

HB 3193 - A pension "omnibus" of sorts that included a number of minor initiatives and clean-up requests from the pension systems and some organizations was also passed in the final week. Relevant to school districts is language that addresses changes to the repayment of penalties they may incur for salary increases over 6% in an annuitant's final years that result in money owed to the system. Currently, these penalties can be paid back over the course of three years (but are subject to interest costs if repaid over time), and the language in the bill allows those penalties to be paid over a seven year span (still with interest required).

SB 1937 - A package being championed by the We Are One Illinois Coalition was teed up for a vote in the House, but ultimately did not get called in committee due to continued hesitancy from the Governor's Office to pass "benefit enhancements" for Tier 2 employees. The bill contained language that would have adjusted the earnings cap upward to meet the Social Security Wage Base, provided for a 3% simple COLA in retirement, allowed system members to retire at age 62 with maximum service (or age 65 with 20 years), and used the highest six years of creditable earnings over the last ten years of service for annuity calculation. Although it didn't clear the session hurdle, labor unions will undoubtedly continue fighting for these changes in veto session.

HB 3772 - ISBEs proposal to limit suspensions and expulsions for students in preschool through grade 2 passed the Senate with the minimum required votes (30), and due to time constraints was not called for a concurrence vote in the House until after midnight. Procedurally, the bill would have required 71 votes in order to have an immediate effective date due to the bill not being heard until after the scheduled adjournment timeline, and when the bill came up on the board, it only had 69 Yeas. The sponsor decided to pull it from the record and did not bring it back for consideration before final adjournment, so this is another bill that will need final action in a subsequent legislative session. As a reminder, school management groups were able to remove opposition to the bill following extensive negotiations with ISBE to get the proposal to a place that worked for all parties and achieved everyone's goals. The final bill will continue to allow for expulsions in severe circumstances, applied limitations on suspensions for only suspensions of longer than three days, and allowed for the expansion of ALOP programs down to kindergarten (with a limitation on placements to 90 days for students in kindergarten through grade 2).

SB 2427 - In spite of quite a bit of media coverage and a strong push from the Governor's Office, the bill that would have required school districts to adopt a policy that restricted the use of cell phones during instructional time did not pass the House. The measure received significant pushback from some Democrats in the House

after passing the Senate unanimously. Rumor had it that certain caucus members were pushing for additional use allowances in the bill, which, if included, would have likely watered down the ban quite significantly.

Wrap-Up

The twists and turns of session may be behind us for now, but the ride isn't quite over. With a veto session still ahead, rumors of the possibility of returning to Springfield if the landscape in Washington necessitates it, and many of this year's policy conversations just beginning, stay buckled in—we'll be back with updates when the cars start moving again.

While this update does not encompass every bill that received final legislative approval last week, rest assured that we will continue to provide updates throughout the summer as measures are signed into law by the Governor. Our goal is to ensure you have the information you need to stay informed and prepared for any changes impacting your districts.

As the spring legislative session comes to a close, I would like to extend a sincere thank you to everyone who submitted witness slips, made phone calls, engaged community members on controversial bills, and sent emails to legislators this session. Your engagement and advocacy made a meaningful difference, and your voices were truly heard under the dome.

Wishing you all a safe, restful, and well-deserved summer!

Sincerely,

Emily Warnecke
Chief of Staff