Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE
104th General Assembly

BILL NO: **HB 2949, as amended by SA 003** June 4, 2026

SPONSOR: Guzzardi (Sims, Jr.)

SYSTEM: Pension Stabilization Fund (PSF)

FISCAL IMPACT

The fiscal impact of HB 2949, as amended by SA 003, is dependent on the amount of surplus funds remaining in the Illinois Income Tax Refund Fund (ITRF), that shall go towards the Pension Stabilization Fund (PSF), after allocating the first $150 million to General Revenue Fund (GRF).

Historically, surpluses in the ITRF have fluctuated every fiscal year from as little as $1 million in FY 2018 to a high of $1.481 billion in FY 2023. According to an estimate by CGFA's Revenue Unit, the ITRF is projected to have a surplus of $50 million in FY 2027, which is below the $150 million threshold outlined in HB 2949, as amended by SA 003. Consequently, no transfer to the PSF would occur in FY 2027, resulting in no immediate fiscal impact on the State-funded retirement systems.

However, in years when the ITRF surplus exceeds $150 million, additional transfers to the PSF would occur, resulting in additional State contributions to the State systems, and would have a fiscally positive impact on those systems.

It should also be noted that the FY 2023 surplus of approximately $1.5 billion should be viewed as an outlier, as it was driven by an unusually large increase in income tax receipts resulting from COVID-related stimulus payments and the associated boost to economic activity. Excluding FY 2023, the annual ITRF surplus over the past 10 years averaged to a much more modest value near $340 million.

Impact of SA 003: The original HB 2949 would dedicate the month of September as "Scarring Alopecia Awareness Month" to raise awareness of the disease and treatment. SA 003 replaces everything after the enacting clause, to transform HB 2949 into a vehicle for the FY 2027 Budget Implementation Act.

SUBJECT MATTER: HB 2949, as amended by SA 003, is the FY 2027 Budget Implementation Act. This bill simultaneously amends the Illinois Income Tax Act to establish that the first $150,000,000 shall be transferred from the Income Tax Refunds Fund (ITRF) to the General Revenue Fund (GRF), while any remaining surplus shall be transferred to the Pension Stabilization Fund (PSF). This bill also makes an accommodating technical change to the State Pension Funds Continuing Appropriation Act and the Budget Stabilization Act to allow for transfers of funds from the ITRF to the PSF.

COMMENT: Public Act 94-839 (eff. 6/6/06) created the Pension Stabilization Fund (PSF) under the Budget Stabilization Act (30 ILCS 122/) to allow for additional State contributions to the Five-State Systems (SERS, TRS, SURS, JRS, and GARS) that do not offset the required State contributions and are used to reduce the unfunded liabilities of those systems.

Under current law, if estimated General Funds revenue is projected to grow by more than 4% over the previous fiscal year, appropriations and transfers are limited to 99% of estimated revenue, with the remaining 1% divided equally between the PSF and the Budget Stabilization Fund (0.5% each). If this condition is met for two consecutive years or more, the remaining amount increases to 2%, which is also divided equally between the PSF and the Budget Stabilization Fund (1% each). Funds transferred into the PSF are distributed to the five State systems through a continuing appropriation.

HB 2949, as amended by SA 003, amends the Illinois Income Tax Act to mandate that only the first $150 million in surplus funds remaining in the ITRF shall be transferred to the GRF, with any amount in excess being transferred to the PSF as soon as possible after the end of FY 2026 and each fiscal year thereafter.

The ITRF was created to set aside a portion of tax collections to pay tax refunds owed to taxpayers after the tax payment process is finalized. Under current law, any such surplus remaining in the ITRF after tax refunds are paid is transferred in its entirety to the GRF. The amount of surplus funds remaining in the ITRF has fluctuated greatly over the last 10 years. Please consult the table below for a 10-year overview of the amounts remaining in the ITRF, per CGFA Revenue Unit data from the FY 2025 Economic Forecast and FY 2024 Revenue Estimate Update, as well as FY 2026 and FY 2027 May '26 Revised Estimates:

Table 1. ($ in millions)

Fiscal Year	Surplus $ remaining in the ITRF
2017	$4
2018	$1
2019	$327
2020	$617
2021	$282
2022	$282
2023	$1,481
2024	$555
2025	$253
2026	$700
Averages	**$450 (including FY 2023)**
	$336 (excluding FY 2023)

Should historical trends persist, the amount of surplus funds in the ITRF would fluctuate every fiscal year, with any surplus below $150 million leading to $0 being transferred to the PSF. For FY 2027, CGFA estimates that the ITRF surplus would be approximately $50 million, which is below the $150 million threshold, meaning that **no** funds would be expected to be transferred to the PSF in FY 2027.

It should also be noted that the FY 2023 surplus of approximately $1.5 billion should be viewed as an outlier, as it was driven by an unusually large increase in income tax receipts resulting from COVID-related stimulus payments and the associated boost to economic activity. Excluding FY 2023, the annual ITRF surplus over the past 10 years averaged to a much more modest value near $340 million. Therefore, in years when the ITRF surplus exceeds $150 million, additional transfers to the PSF would occur, resulting in additional State contributions to the State-funded systems and a positive fiscal impact on those systems.

Accommodating technical changes are also made by inserting the word “transferred” in relevant sections of the State Pension Funds Continuing Appropriation Act and the Budget Stabilization Act.

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