FY 2010

Capital Plan Analysis

Commission on Government Forecasting & Accountability

May 2009

Commission on Government Forecasting and Accountability

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INTRODUCTION

State statute requires the Office of Management and Budget to prepare and submit an assessment of the State's capital needs both current and five years forward (20 ILCS 3010/1). This is presented as part of the Governor's Budget.

The Commission on Government Forecasting and Accountability, in turn, is statutorily required each year to submit a capital plan analysis based on this information (25 ILCS 155/3).

The Capital Plan Analysis is divided into three sections. The first section of the report uses the Governor's capital expenditure plan, which lists projects to be funded from the FY 2010 appropriation request. This analysis is based on what is contained in the capital budget book. It is used as a basis for looking at the Governor's project priorities and should provide insight into what can be expected to occur if the Governor's budget recommendation is approved. This report also shows the Governor's recommended appropriations for State capital needs.

The second section discusses current bond-related topics, such as requested action by the General Assembly to help the Metropolitan Pier and Exposition Authority deal with debt payment issues and increased authorization for more bonding. It examines the Governor's capital and debt proposals, from debt restructuring to more pension bonds. This section also includes information related to programs and borrowing that the Commission tracks: the School Construction Program, the State's Short-term borrowing, and whether the Office of Management and Budget is following the debt responsibility and transparency guidelines set by the Legislature.

The third section of the report looks at how the Governor's FY 2010 recommended capital plan would affect the State's bonded indebtedness. It details the General Obligation and Build Illinois bond authorization available, the level of outstanding debt, future debt issuance, and annual debt service. Although the FY 2003 Pension Obligation Bonds are not a part of the Capital Budget, they will be noted throughout the report since they impact the State's debt.

EXECUTIVE SUMMARY

- The Governor is proposing a $26.5 billion Capital Program called Illinois Jobs Now To fund this program, the Governor's Office of Management and Budget plans: $11.5 billion in regular federal funding, $2 billion in federal stimulus funds from the American Recovery and Reinvestment Act of 2009, $8.6 billion in State bonding, $2 billion from State Funds, and $2.4 billion in local matches

- The State competitively bid $1.4 billion in General Obligation Certificates in December 2008. Proceeds were deposited into the General Revenue Fund to relieve cash flow pressures. On March 27, 2009, the Office of the Governor notified the Legislature and the Secretary of State of a proposed short term borrowing due to the failure of revenues. The amount is not to exceed $2.3 billion and might be sold in two issuances.

- The Governor is proposing an $8 billion-$12 billion Pension Obligation Bond sale at some point in time when market conditions are favorable. GOMB would like the standards for selling the POBs to be relaxed so that debt service payments could be structured differently from the required level principal payment and for a longer period. Details of the proposal have not been released. If the legislature were to approve this authorization, then either the new POBs would have to be excluded from the 7% debt cap, or the cap will have to be raised.

- PA 96-0005 increased Transportation A authorization for road and bridges by $2 billion and Transportation B authorization for mass transit and rail projects by $1 billion for what has been termed the mini capital plan. Even with this authorization increase, another $5.6 billion is needed for the Governor's capital plan. Authorization will need to be increased and some form of revenue source found to support new authorization, whether it be the Governor's proposed funding or other revenue sources.

- When the State sold $1.4 billion in General Obligation Certificates in December 2008, Fitch Ratings downgraded Illinois' G.O. bonds from an AA to an AA-, Standard & Poor's put Illinois on a negative watch list and Moody's gave the State's December 2008 G.O. Certificates a MIG 2 rating, lower than previous G.O. Certificate sales. In March 2009, S&P lowered the State's rating to AA-, and put the December 2008 G.O. Certificates on negative watch. Moody's downgraded the State from Aa3 to A1 in April 2009, while Fitch gave Illinois a negative outlook.

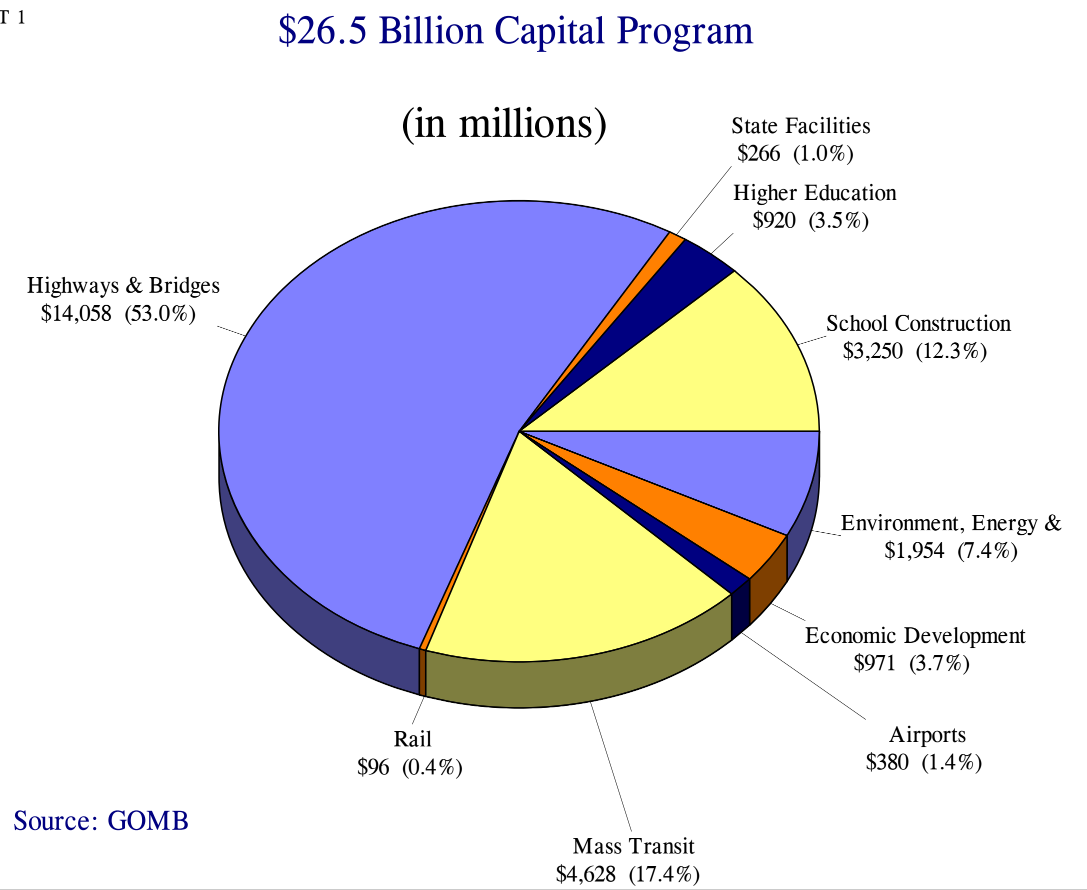
FY 2009 RECOMMENDED CAPITAL BUDGET

- **$26.5 Billion Illinois Jobs Now Capital Program**
- **Appropriation History**
- **FY 2010 Capital Plan Appropriations**
- **FY 2010 Capital Projects by Agency**

$26.5 Billion Illinois Jobs Now! Capital Program

This section of the report is based on Governor Quinn's multi-year capital expenditure plan. The Governor is proposing a $26.5 billion Capital Program called "Illinois Jobs Now!"

CHART 1



The Governor's proposal includes a $14.058 billion multi-year program for highways and bridges paid for from approximately $7.5 billion in regular federal funds, $936 million of federal stimulus funds, $3 billion in Transportation A bonds, $1.9 billion pay-as-you-go State funding and $725 million from local matches.

There would also be multi-year programs for mass transit-$4.6 billion, airports-$380 million and rail projects-$96 million. Funding would include $3 billion in regular federal funding, $564 million in federal stimulus, and $1.5 billion in Transportation B bonds.

The Capital Program also includes a $3.2 billion school construction program paid for by $1.6 billion in School Construction bonds and $1.6 billion in local matching funds (a current requirement of the school construction program). The State's funding for this program would cover $1.5 billion for the School Construction grant program, $100 million for maintenance projects and $25 million for Pre-K construction programs for school districts and non-profit organizations. School Construction bonds would be sold to pay for these programs, the full amount of which are appropriated in FY 2010.

Funding for higher education would include $662 million for public universities, $158 million for community colleges and $100 million for private universities. These amounts would be sold through Capital Development bonds. The full amount of these programs is appropriated in FY 2010.

The Governor's $26.5 billion capital program would use $1.9 billion for environmental, energy and technology projects. Federal funding would cover $1 billion, federal stimulus would cover $375 million, local matches would pay for $50 million, while the State would cover the remaining $506 million with bonding. This bonding would come mainly from $25 million in Anti-pollution bonds as well as from the proposed Economic Development bonds in the Illinois Jobs Now program.

Approximately $971 million would be spent on economic development projects, using $96 million in federal stimulus funds. The Capital Plan creates Economic Development bonds through the Illinois Jobs Now program, which would be sold in the amount of $1.2 billion. These bonds would most likely pay for these programs as well as some of the above-mentioned energy and technology projects.

There would be approximately $266 million spent on other State facility projects, of which $15 million would be federally funded. To fund these programs there will be approximately $251 million in bonding from Capital Development bonds.

Funding for this program:

- Federal Funding Leveraged
    - $11.557 billion in federal funding
    - $1.995 billion in federal stimulus dollars

- Local Matching Funds
    - $1.6 billion for School Construction
    - $725 million for the Multi-year Road Program
    - $50 million for environmental, energy, and technology projects

- State Funding
    - $8.6 billion in State bonding
    - $2 billion from State funds

According to the Governor's proposal, bonds for the new program would be paid from increasing fees on titles and registrations, increasing income taxes, using Road Fund revenues, restructuring debt to push payments out to later years, and paying the remainder of the program from other State Funds. Many environmental capital projects are paid from specific State Funds that receive revenues from fees and fines. The following table lists the types of G.O. bonds to be sold with the proposed revenue streams. Below the "Total New Revenues for Debt Service" is the total amount expected to be sold for the Illinois Jobs Now program and the debt service required to pay those bonds (using a 5.5% interest rate).

Transportation A-- bonds would be sold for road and bridge projects. Bonds would be paid off with	
$20 increase in Motor Vehicle Registrations	$180 million
$10 increase in Driver's License Fees	$20 million
Road Fund Revenues	$150 million
TOTAL New Revenues for Debt Service	$350 million
Plan to Sell $3 billion in bonds	w/ debt service $285 million
Transportation B-- bonds sold for statewide transit projects and paid by	
$40 increase in Certificate of Title Fees	$110 million
$15 increase in Transfer of Registration	$10 million
TOTAL New Revenues for Debt Service	$120 million
Plan to Sell $1.5 billion in bonds	w/ debt service $143 million
Remaining G.O. Bonds for School Construction, Higher Education Construction, Economic Development and Environmental/Conservation projects would be paid from	
10% of increase in Individual Income Tax	$280 million
10% of increase in Corporate Income Tax	$35 million
TOTAL New Revenues for Debt Service	$315 million
Plan to Sell $4.2 billion in bonds	w/ debt service $399 million
The amount of bonds for new capital projects would be sold over several years from 2010 to 2020. Because G.O. bonds are sold with level principal payments debt service payments decrease over the life of the bond. This allows room in debt service payments to sell remaining bonds later in the schedule. Debt service calculations are based on a conservative 5.5% interest rate.	

Below is the Office of Management and Budget's five year General Obligation Bond expenditure plan for FY 2010 appropriations [FY 2010 Capital Budget Appendix C].

Fiscal Year 2010 General Obligation Bonds Capital Expenditure Plan
($ thousands)

Fund Name	FY10 Appropriations	Spending from FY10 Appropriations				
		FY10	FY11	FY12	FY13	FY14
Capital Development						
Prior Appropriations	1,071,801	58,949	58,949	107,180	128,616	128,616
New Appropriations	1,324,034	153,800	199,000	355,000	231,100	135,500
Total Capital Development	**2,395,835**	**212,749**	**257,949**	**462,180**	**359,716**	**264,116**
School Construction						
Prior Appropriations	32,673	12,416	6,861	4,901	4,574	3,921
New Appropriations	1,625,000	205,000	185,000	405,000	470,000	115,000
Total School Construction	**1,657,673**	**217,416**	**191,861**	**409,901**	**474,574**	**118,921**
Anti-Pollution						
Prior Appropriations	15,172	474	-	-	-	-
New Appropriations	25,000	10,000	10,000	5,000	-	-
Total Anti-Pollution	**40,172**	**10,474**	**10,000**	**5,000**	**-**	**-**
Transportation Series A						
Prior Appropriations	100,057	57	-	-	-	-
New Appropriations	3,000,000	355,000	525,000	695,000	445,000	375,000
Total Transportation Series A	**3,100,057**	**355,057**	**525,000**	**695,000**	**445,000**	**375,000**
Transportation Series B						
Prior Appropriations	147,855	19,221	22,178	39,921	29,571	14,786
New Appropriations	1,520,000	163,000	203,000	203,000	201,000	200,000
Total Transportation Series B	**1,667,855**	**182,221**	**225,178**	**242,921**	**230,571**	**214,786**
Coal Development						
Prior Appropriations	89,885	8,989	12,584	17,977	22,471	13,483
New Appropriations	-	-	-	-	-	-
Total Coal Development	**89,885**	**8,989**	**12,584**	**17,977**	**22,471**	**13,483**
Illinois Jobs Now						
Prior Appropriations	-	-	-	-	-	-
New Appropriations	1,203,700	118,000	153,000	331,700	248,000	149,000
Total Illinois Jobs Now	**1,203,700**	**118,000**	**153,000**	**331,700**	**248,000**	**149,000**
All Funds						
Prior Appropriations	1,457,444	100,105	100,573	169,979	185,233	160,805
New Appropriations	8,697,734	1,004,800	1,275,000	1,994,700	1,595,100	974,500
Total All Funds	**10,155,177**	**1,104,905**	**1,375,573**	**2,164,679**	**1,780,333**	**1,135,305**

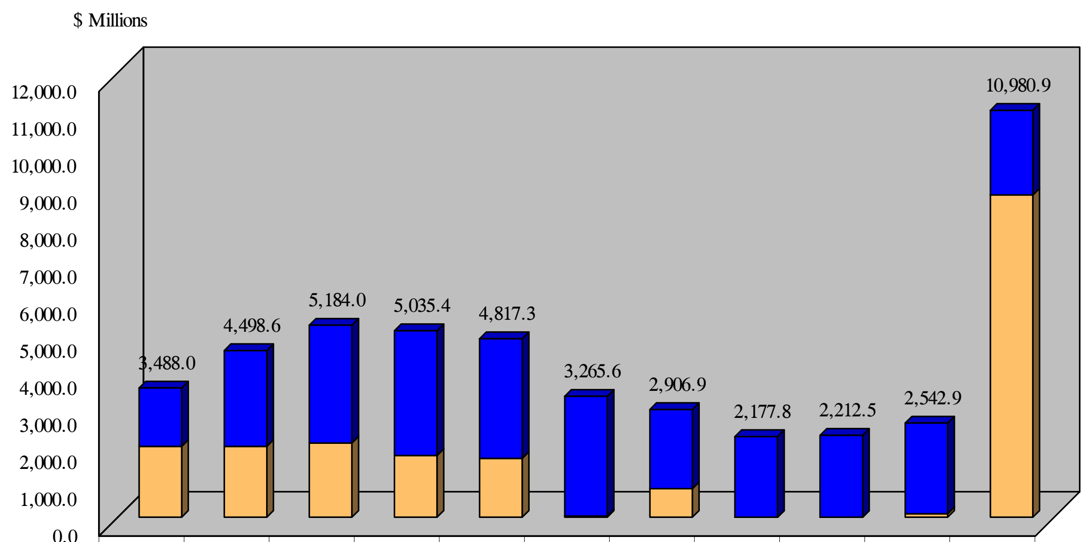
Appropriation History

The annual General Obligation appropriations from FY 2000 to the recommended FY 2010 amounts are illustrated in the chart below. New appropriations of General Obligation bond funds have been minimal since FY 2005, with FY 2007 and FY 2008 being $0.

According to the Capital Plan request, the amount of bond funds appropriated for FY 2010 would be the entire $8.698 billion of the Governor's $26.5 billion multi-year program, with almost half of the funding funneled through the Illinois Jobs Now Fund the Governor proposes to create.

CHART 2

General Obligation Bond Appropriations



	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	2009*	2010*
Reappropriations	1,577.0	2,586.2	3,178.9	3,370.0	3,229.8	3,231.6	2,138.4	2,177.7	2,212.5	2,451.4	2,283.2
New Appropriations	1,911.0	1,912.4	2,005.1	1,665.4	1,587.5	34.0	768.5	0.1	0.0	91.5	8,697.7

New Appropriations Reappropriations

Source: GOMB

On April 3, 2009, Governor Quinn signed Public Act 96-0004, known as the "mini-capital" plan. This plan was expected to get the State matching funds for federal stimulus dollars to pay for shovel-ready projects. This legislation appropriated $9 billion, of which $3 billion would come from Transportation A and Transportation B bonding.

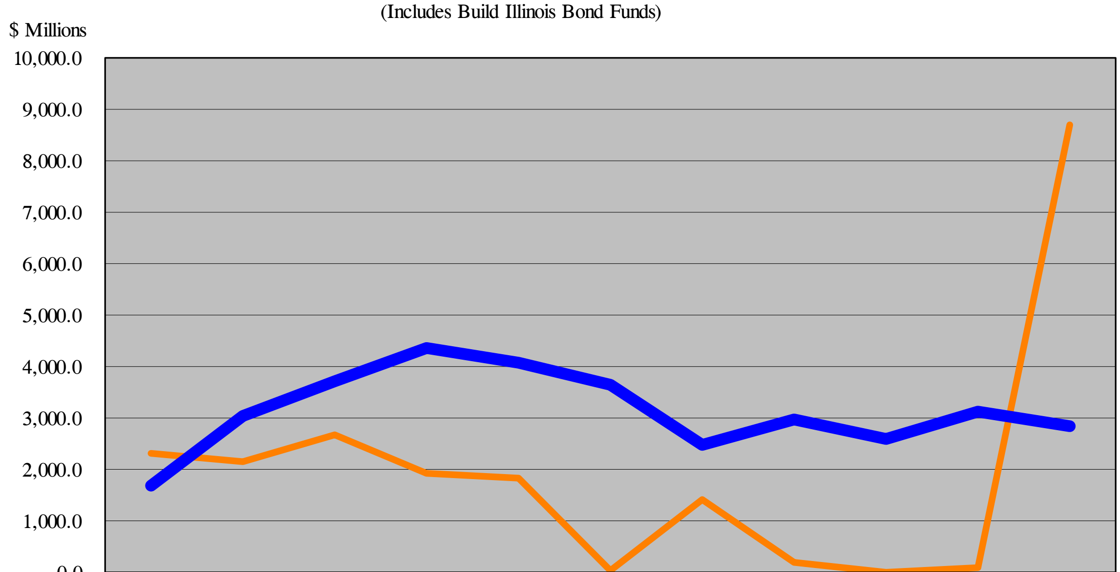
Chart 3 shows the amount of new appropriations versus reappropriations of all bond funds combined for fiscal years 2000 through requested 2010. Reappropriations are unused funds appropriated in a previous fiscal year that are being tapped for use in the current fiscal year.

As the chart shows, fiscal years 2000 through 2002 showed new appropriations above the $2 billion mark. In FY 2003 new appropriations dipped below that level. The only fiscal year from FY 2005 through FY 2009 with any real bond funding of capital appropriations was FY 2006 with $1.4 billion. The remaining years in that time period had new appropriations under $200 million, with FY 2008 being $0. The total appropriations request from the Governor for FY 2010 from all bond funds, including the Illinois Jobs Now Fund and the Build Illinois Bond Fund are $11.539 billion, of which $8.698 is for new appropriations.

CHART 3

New Appropriations v. Reappropriations of Combined Bond Funds

(Includes Build Illinois Bond Funds)



	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009*	2010*
Reappropriations	1,685.4	3,038.5	3,714.7	4,361.4	4,074.9	3,647.4	2,478.1	2,972.8	2,590.0	3,124.0	2,841.0
New Appropriations	2,312.5	2,151.8	2,673.0	1,923.8	1,831.6	34.5	1,413.5	192.9	0.0	91.5	8,698.0

Reappropriations   New Appropriations

Note: FY 2010 numbers are based on the Governor's Capital Plan Budget.

FY 2010 Capital Plan Appropriations

The FY 2010 capital budget request includes new appropriations of $10.968 billion and reappropriations of $9.487 billion, for a total of $20.454 billion. Part of the program would be the creation of a new fund called the Illinois Jobs Now Fund, which would be used to receive funds from G.O. bonds sold for Capital Development, School Construction, Coal and Energy Development, Anti-pollution, and Economic Development. Over $4.2 billion in appropriations would be paid out of the Illinois Jobs Now Fund. The new appropriations of $4.5 billion coming from bonding would be from the sale of $3 billion in Transportation A bonds for roads and bridges and $1.5 billion in Transportation B bonds for mass transit, rail, and airport projects. There are no new appropriations from the Build Illinois Bond Fund.

TABLE 1: FY 2010 CAPITAL PLAN REQUESTED APPROPRIATIONS ($ in Millions)			
FUND TYPE	**NEW APPROPRIATIONS**	**REAPPROPRIATIONS**	**TOTAL**
Bond	$4,520,000,000	$2,840,914,952	**$7,360,914,952**
Illinois Jobs Now!	$4,177,733,618	$0	**$4,177,733,618**
State Revenue Funds	$2,109,577,200	$6,005,928,755	**$8,115,505,955**
Federal/Trust	$160,625,000	$639,676,928	**$800,301,928**
TOTAL	**$10,967,935,818**	**$9,486,520,635**	**$20,454,456,453**

FY 2009 new appropriations totaled $2.663 billion while reappropriations were $6.856 billion. Only $91.5 million in new appropriations were from bond funds. There has been no real Capital bonding program since Illinois First.

TABLE 2: FY 2009 CAPITAL PLAN APPROPRIATIONS ($ in Millions)			
FUND TYPE	**NEW APPROPRIATIONS**	**REAPPROPRIATIONS**	**TOTAL**
Bond	$91,459,278	$3,124,478,126	**$3,215,937,404**
State Revenue Funds	$2,410,917,400	$3,317,221,487	**$5,728,138,887**
Federal/Trust	$160,625,000	$413,863,451	**$574,488,451**
TOTAL	**$2,663,001,678**	**$6,855,563,064**	**$9,518,564,742**

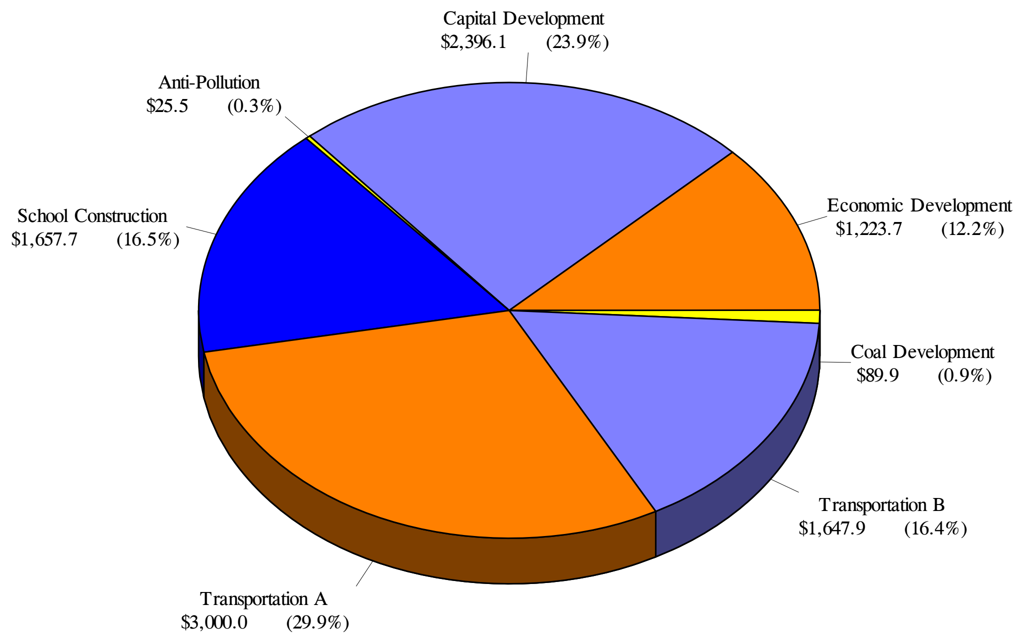
Following are charts showing the FY 2010 General Obligation bond appropriations by bond fund and new appropriations versus reappropriations, respectively.

CHART 4

FY 2010 G.O. Appropriations

By Bond Fund ($ Millions)

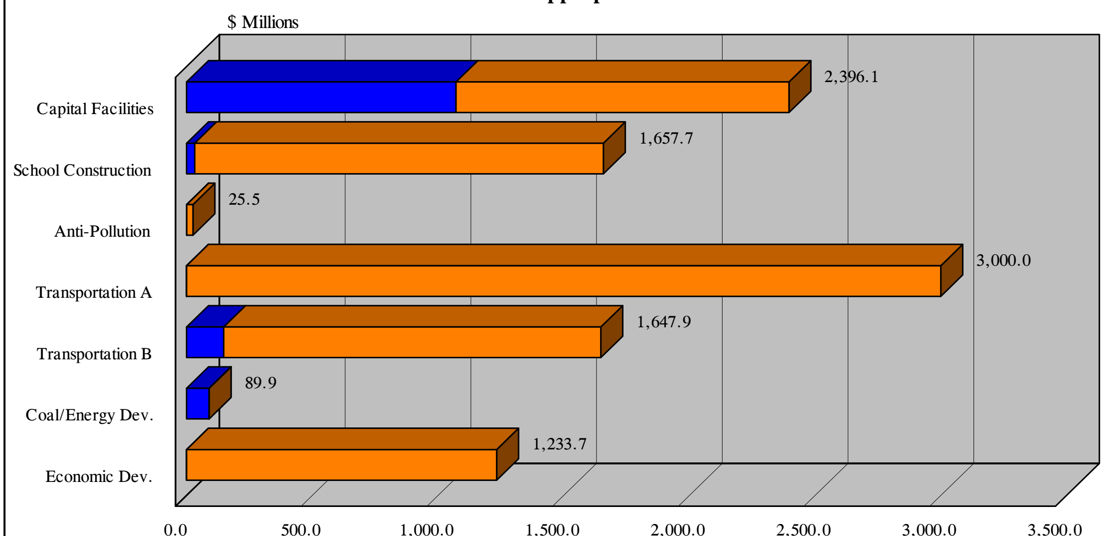
Total: $10.598 Billion = 100%



Source: GOMB
Includes New and Reappropriations

CHART 5

FY 2010 G.O. Appropriations
New v. Reappropriations



	Capital Facilities	School Construction	Anti-Pollution	Transportation A	Transportation B	Coal/Energy Dev.	Economic Dev.
Re-appropriations	1,071.8	32.7	0.5	0.0	147.9	89.9	0.0
New Appropriations	1,324.3	1,625.0	25.0	3,000.0	1,500.0	0.0	1,233.7

Re-appropriations
New Appropriations

Source: GOMB

Federal stimulus funds will account for $2.836 billion of FY 2010 spending. The majority of federal stimulus funds will be used for reappropriations.

USE OF FEDERAL STIMULUS FUNDING IN FY 2010 CAPITAL PLAN (in millions)			
Fund	**Amount**	**New v. Reappropriation**	**Project**
IL Forestry Development Fund	$15	new appropriation	Advancing Forestry Resources in Illinois
IL Forestry Development Fund	$5	reappropriation	Advancing Forestry Resources in Illinois
Water Revolving Fund	$180	reappropriation	Wasterwater Infrastructure Program
Water Revolving Fund	$80	reappropriation	Drinking Water Program
Federal High Speed Rail Trust	$500	reappropriation	Statewide-High Speed Rail (Fed share)
Federal Local Airport Fund	$150	reappropriation	Financial Assistance to Airports (Fed & Local share)
Federal Mass Transit Trust Fund	$40	reappropriation	Grant for Fed share for Capital/Operating/Consult/Tech
Road Fund	$285	reappropriation	Passenger Rail Improvements
Road Fund	$6	reappropriation	Freight Rail Improvements
Road Fund	$900	reappropriation	Statewide Transportation & Related Construction
Road Fund	$325	reappropriation	Statewide Road Improvements (Local share)
Road Fund	$300	reappropriation	Northeastern Illinois-Fed Passthrough for CREATE
Road Fund	$50	reappropriation	Local Earmarks-Local Passthrough
TOTAL	**$2,836**		

The budget request for appropriations to the Capital Development Board (CDB) and through CDB for other agencies for capital projects includes new appropriations of $2.758 billion all of which would come from a new fund to be created called the Illinois Jobs Now Fund. Reappropriations for CDB would total $1.082 billion. The remainder of the Governor’s request of new appropriations would be appropriated to specific agencies.

TABLE 3: FY 2010 CDB REQUESTED APPROPRIATIONS ($ in Millions)			
FUND TYPE	**NEW APPROPRIATIONS**	**REAPPROPRIATIONS**	**TOTAL**
Capital Development	$0	$898,003,869	**$898,003,869**
School Construction	$0	$32,673,089	**$32,673,089**
Build Illinois	$0	$149,995,063	**$149,995,063**
Illinois Jobs Now!	$2,758,456,118	$0	**$2,758,456,118**
Asbestos Abatement	$0	$1,398,434	**$1,398,434**
TOTAL	**$2,758,456,118**	**$1,082,070,455**	**$3,840,526,573**

FY 2010 Capital Projects by Agency

The projects in this section are only those for which a new appropriation is being sought (reappropriations are not listed). The following pages show new capital project requests listed by agency.

Agriculture

The Governor's capital budget request of $12.7 million for the Department of Agriculture consists of $9.3 million from his Illinois Jobs Now Fund, $2.6 million from the Partners for Conservation Projects Fund (formerly Conservation 2000 Projects Fund), and $0.8 million from the Agricultural Premium Fund.

PROGRAMS ($ millions)	FY2010 (in millions)
• IL State Fairgrounds, Springfield: various repairs	$6.6
• Statewide: Grants to Soil and Water Conservation Districts	5.2
• Centralia Animal Diagnostics Lab: replace roof	0.6
• DuQuoin Fairgrounds: various repairs	0.3

Architect of the Capitol

Approximately $49.8 million would be appropriated from the Illinois Jobs Now Fund for projects at the Capitol, including renovation of HVAC and for ADA compliance and upgrades to life/safety protection systems.

Attorney General

The Attorney General Building in Springfield would receive $1.5 million from the Illinois Jobs Now Fund for the replacement of electronic ballasts and roof, and to waterproof and renovate the Terrace.

Board of Education

The State Board of Education would receive $5 million through the Capital Development Board from the Illinois Jobs Now Fund for a grant for technology immersion to be used statewide.

Capital Development Board (CDB)

The Capital Plan request for the Capital Development Board is $1.8 billion, all of which would come from the newly proposed Illinois Jobs Now Fund.

PROGRAMS ($ millions)	FY2010 (in millions)
• School Construction Grants	$1,500.0
• Statewide: Capital improvements at Private Colleges and Universities	100.0
• Statewide: School Maintenance grants, K-12	100.0
• Statewide: Higher Education Capital Renewal Program	40.9
• Statewide: escalations and emergencies for Higher Education projects	25.0
• Statewide: grants for Pre-K construction	25.0
• Statewide: escalation costs for state facilities projects	17.0
• Statewide: emergency repairs and hazardous material abatement	10.0

Central Management Services (CMS)

The recommendation for CMS is $27.1 million to come entirely from the Illinois Jobs Now Fund, with the main projects listed below:

PROGRAMS ($ millions)	FY2010 (in millions)
• Infrastructure Improvement, hardware & shared services	$13.5
• Thompson Center: upgrade HVAC system, electrical, & life safety	5.2
• Elgin Regional Office Building: upgrade HVAC system	2.5
• Chicago Medical Center- emergency generator, upgrade electrical	2.0
• Statewide- renovate State-owned property	2.0
• Collinsville Regional Office Building: replace the roof	2.0

Commerce and Economic Opportunity (DCEO)

The $1.048 billion in new appropriations for DCEO would come primarily from the Illinois Jobs Now Fund ($1.045 billion), while the remaining appropriations come from the Port Development Revolving Loan Fund ($3.0 million).

PROGRAMS ($ millions)	FY2010 (in millions)
• Community Revitalization	$450.0
• Statewide: Community Reinvestment Fund	250.0
• Healthcare Facilities	100.0
• Energy Development	75.0
• U of I: Petascale Computing Facility	60.0
• Statewide: Affordable Housing	25.0
• Statewide: River Edge – Brownfield Redevelopment Program	25.0
• Statewide: Prime Site Grants	25.0
• Fermilab: Batavia - Illinois Accelerator Research Center	17.0
• Argonne National Lab: Advanced Protein Crystallization Facility	13.0
• Statewide: Port Development Revolving Loan Program grants	3.0
• Abraham Lincoln Capital Airport/Illinois Air National Guard: entrance road	3.0
• U of I, U-C: Information Trust Institute-Center for Pervasive Health Technology	2.0

Community College Board

The Community College Board would receive $157.9 million from the Illinois Jobs Now Fund and would flow through the Capital Development Board. Almost all of these projects, excluding the statewide Capital Renewal program, are part of Governor Quinn's Green Initiative:

PROGRAMS ($ millions)	FY2010 (in millions)
• Wm Rainey Harper College: Admissions/Student Life Center	40.6
• Rock Valley College- Arts Instructional Building	26.7
• Wm Rainey Harper College: Engineering/Tech Center renovations	20.3
• IL Valley Community College: Community Instructional Center	16.3
• Parkland College - Student Services Center Addition	15.4
• Triton College - Rehabilitating the Technology Building	10.7
• Statewide: Capital Renewal	9.1
• Lakeland College: Rural Development Technology Center	7.5
• Joliet Junior College: Utilities Renovation	4.5
• Lakeland College: Student Services building addition	2.4
• Elgin Community College: Spartan Drive extension	2.2
• College of DuPage: Instructional Center noise abatement	1.5
• Rend Lake College: Art Program addition	0.5

Corrections

The FY 2010 Capital Budget requests approximately $19.8 million from the Illinois Jobs Now Fund for State correctional facilities, all of which would flow through the Capital Development Board. The various projects include repairing roofing, replacing windows and locks, upgrading or replacing fire alarm systems, and adding an emergency generator.

Emergency Management Agency

The Illinois Jobs Now Fund would provide $25 million for safety and security improvements at various public and private universities, and community colleges.

Environmental Protection Agency (EPA)

The Environmental Protection Agency would receive a total $496.7 million, of which $356 million would come from the Water Revolving Fund, while the remainder of $140.7 million from the Illinois Jobs Now Fund for the following programs:

PROGRAMS ($ millions)	FY2010 (in millions)
• Statewide: Wastewater Loan Program	$204.0
• Statewide: Drinking Water Loan Program	152.0
• Statewide: Water Revolving State Match	60.4
• Statewide: grants for wastewater treatment and drinking water projects	50.0
• Statewide: Leaking Underground Storage Tanks	25.0
• Statewide: River Edge Municipal Brownfields grant program	5.3

Illinois Finance Authority

The capital plan recommends $10 million for the Illinois Finance Authority. The Fire Truck Revolving Loan Fund would pay for $6 million in loans, statewide, to fire departments, fire protection districts and township fire departments to purchase fire trucks. The Ambulance Revolving Loan Fund would pay $4 million in loans to fire departments, fire protection districts, township fire departments, and non-profit ambulance services to purchase ambulances.

Higher Education

The FY 2010 capital plan requests $587.1 million in new capital appropriations to State Universities through the Capital Development Board using Capital Facilities bond proceeds from the Illinois Jobs Now Fund. All of the projects, excluding equipment purchases, would be Green Initiatives. Specific projects are listed below:

PROGRAMS ($ millions)	FY2010 (in millions)
• CSU: renovate Douglas Hall	$19.5
• EIU: HVAC at Life Sciences and Coleman Hall	4.8
• EIU: equipment for Fine Arts Center	1.7
• GSU: Teaching/Learning Complex	8.0
• GSU: campus roadway improvements	2.0
• ISU: renovate Visual Arts Center	54.3
• NEIU: Construct Education Building	73.0
• NIU: renovate/expand Stevens Building	22.5
• NIU: plan Computer Science and Technology Center	2.8
• SIU, Edwardsville: construct Science Lab	78.9
• SIU, Carbondale: construct Transportation and Education Center	56.7
• SIU, Carbondale: Morris Library equipment	17.6
• SIU, Carbondale: Communications Building	4.6
• WIU: construct Performing Arts Center	67.8
• WIU, Quad Cities: construct Riverfront Campus	15.9
• U of I, Champaign-Urbana: renovate Lincoln Hall	57.3
• U of I, Champaign-Urbana: construct Computer/Engineering Building	44.5
• U of I, Chicago: College of Dentistry campus infrastructure	20.8
• U of I, Champaign-Urbana: Post Harvest Crop Research Facility	20.0
• U of I, Rockford: construct National Rural Health Center	14.8

Human Services

The Department of Human Services would receive $22.3 million from the Illinois Jobs Now Fund, funneled through the Capital Development Board, for projects at the various mental health and developmental centers, the Illinois School for the Visually Impaired, and the Illinois School for the Deaf. Projects include installing sprinkler systems, and upgrading or replacing fire alarm systems, life safety systems, generators, roofs, and buildings.

Juvenile Justice

The request for Illinois Youth Centers is approximately $7.8 million from the Illinois Jobs Now Fund to replace roofs and sprinkler systems and upgrade HVAC systems.

Math and Science Academy

Through the Capital Development Board, the Math and Science Academy would receive $9.9 million from the Illinois Jobs Now Fund to remodel A Wing laboratories, renovate residence halls and construct an addition to the Main Building. These appropriations are a part of the Governor's Green Initiative.

Military Affairs

Approximately $400,000 would be appropriated to the Shiloh, Mt. Vernon and Carbondale Armories to complete construction and purchase equipment. The money would be funded through the Capital Development Board as a Green Initiative from the Illinois Jobs Now Fund.

Natural Resources

The Department of Natural Resources would receive $265.3 million in new appropriations under the Governor's capital plan, from various federal/state trust funds and State revenue funds. This amount includes $199.4 million from the Illinois Jobs Now Fund, $7.6 million in federal/state trust funds, and an additional $43.3 million from specific natural resource-related funds, such as: the Park & Conservation Fund, State Boating Act Fund, Natural Areas Acquisition Fund, Open Space Land Acquisition & Development Fund, and Land & Water Recreation Fund, to name a few.

The only federal stimulus funding to be used for new appropriations would be $15 million to flow through the Illinois Forestry Development Fund for advancing forestry resources in Illinois.

Some of the big-ticket programs are listed below:

PROGRAMS ($ millions)	FY2010 (in millions)
• Water Resource Management Projects	$97.5
• Natural Areas and Open Space Land Acquisition	70.0
• IL River Basin: Conservation Reserve Enhancement	45.0
• Outdoor Recreation (bike, boat, snowmobile, & off-highway vehicles)	17.2
• Forestry programs	16.4
• Abandoned Mined Lands Reclamation (State and federal)	7.5
• Wildlife Conservation and Restoration	2.9

Revenue

The Capital Budget request for the Department of Revenue is $2.9 million from the Illinois Jobs Now Fund for completing the parking ramp and repairing the emergency generator at the Willard Ice Building.

Secretary of State

The Secretary of State would receive $6.8 million from the Illinois Jobs Now Fund for the following projects:

PROGRAMS ($ millions)	FY2010 (in millions)
• Capitol Complex: upgrade fire alarm and high voltage system	$2.3
• Chicago Drivers Facilities: HVAC upgrades	2.1
• Howlett Building: emergency generator, roofing, North Patio	1.9
• Illinois State Library: replace the roofing system	0.5

State Police

Approximately $5.5 million from the Illinois Jobs Now Fund would fund $3 million for an emergency generator at the American General Building in Springfield, and $2.5 million to construct the Metro-East Forensic Lab in St. Clair County.

Supreme Court

The Illinois Jobs Now Fund would pay $14.4 million for renovations of the former 4th Appellate Court space in Springfield.

Transportation (IDOT)

The Governor has requested $6.352 billion in new appropriations in FY 2010 for IDOT from various funds. The majority of funding for appropriations would come from bond funds, $3 billion in Transportation A (roads and bridges) bonding and $1.5 billion in Transportation B (mass transit, rail, and airports) funding. Most of the pay-as-you-go funding would include $720 million in Road Funds and $930 million from the State Construction Account Fund. Federal Funds would make up approximately $153 million of funding ($137 million from the Federal Local Airport Fund and $16 million from the Federal Mass Transit Trust Fund), while $24.8 million would come from the Grade Crossing Protection Fund, $2.7 million from the State Rail Freight Loan Repayment Fund, and $1 million from the Rail Freight Loan Repayment Fund.

The Illinois Jobs Now Capital Program proposes a $14 billion multi-year road and bridge program, $3 billion of which is to be paid for from Transportation A bonds, all of which are appropriated in FY 2010. The remaining multi-year Capital Plan Transportation projects for Mass Transit, Rail, and Airports would cost $5.1 billion. The Transportation B bonding for these projects would be $1.5 billion, all of which is appropriated in FY 2010.

PROGRAMS ($ millions)	FY2010 (in millions)
• Statewide: transportation-related construction	$4,026.0
• Transportation grants for Mass Transit	1,500.0
• Local share of Road Program	499.2
• Federal/Local: financial assistance to airports	157.0
• Maintenance, Traffic, Physical Research/Formal Contracts A & B	43.2
• Apportionments to Counties, Cities and Townships	35.8
• Grade Crossing protections/separations	24.8
• Chicago Region Environmental & Transportation Efficiency Program (rail)	20.0
• Grant for Federal Share of Mass Transit projects	16.0
• Township Bridge Program	15.0
• Rail Freight Loan Repayment (State & Federal)	3.7

Veterans Affairs

The Department of Veterans Affairs would receive approximately $22.4 million from the Illinois Jobs Now Fund. Approximately $16.8 million will be spent on Green Initiatives for the new 200-bed facility; the Anna Veterans Home addition; and the renovation of Kent, Schapers B and Elmore Buildings at the Quincy Veterans Home. Below is a list of programs for veterans' home facilities.

PROGRAMS ($ millions)	FY2010 (in millions)
• Construction of a new 200-bed facility	$15.0
• Quincy Veterans Home: various projects	6.5
• Anna Veterans Home: construction of 40-50 bed addition	0.7
• LaSalle Veterans Home: replacement of galvanized cold water piping	0.2

CURRENT BOND TOPICS

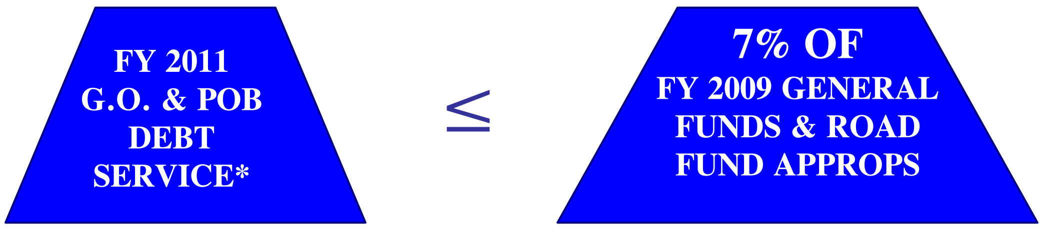
- **Debt Responsibility and Transparency**
- **School Construction Update**
- **Short-Term Borrowing**
- **Pension Obligation Bond Proposal**
- **Metropolitan Pier and Exposition Authority Debt Restructuring**
- **Toll Highway Authority Congestion-Relief Program Update**

Debt Responsibility and Transparency

P.A. 93-0839 set limits on debt and created greater transparency through disclosure of bond deals from the Governor's Office of Management and Budget. Limitations are put on the following aspects of issuance.

General Obligation Bond sale limit

No bonds may be issued if, in the next fiscal year after the issuance the amount of debt service on all then outstanding bonds would exceed 7% of the aggregate appropriations (excluding transfers out) from the general funds and the Road Fund for the fiscal year immediately prior to the fiscal year of issuance, unless consented in writing by the Comptroller and Treasurer.



*FY 2011 debt service is based on FY 2010 bond sales.

FY 2010 bond issuance available is based on expected FY 2011 debt service as a percentage of FY 2009 General Funds and Road Fund appropriations. According to the Comptroller, these FY 2009 appropriations (excluding transfers out) equal $33.557 billion. This puts the 7% cap at a maximum $2.349 billion in debt service for FY 2011. If the capital plan requests for bond sales occur, G.O. debt service for 2011 (including the 2003 Pension Obligation Bonds) would be approximately $1.775 billion. This would leave room for approximately $574 million in additional debt service in FY 2011.

Interest Rates have fluctuated over the past year for 20-year General Obligation Bonds, due to the economy. If interest rates stay at or below 5.5%, the State could sell approximately $6 billion in G.O. bonds (with 25-year level principal debt service) and stay under the 7% debt cap. The State is currently at 5.27%.

A future negative factor to this equation will be the increasing debt service to pay off Pension Obligation Bonds. Debt service to date has been between $500-$550 million, but as the State begins to pay on the principal of the bonds, debt service will increase and reach over $1 billion annually for the last five years of payment. In addition, if the legislature approves authorization for a proposed Pension Obligation bond issuance of $8 billion to $12 billion, then either the new POBs would have to be excluded from the 7% cap, or the cap will have to be raised. *[See the Pension Obligation Bonds Debt Service schedule on page 53]*

Cost of issuance limitations.

Both the G.O. and Build Illinois bond acts allow for up to 0.5% cost of issuance, including underwriter's fees and discounts. Bond insurance is excluded, and State office operating expenses or employee salaries are not allowed.

Limitations on costs of issuance have been followed by the Office of Management and Budget to date.

Competitive/Negotiated Sales

A minimum of 25% of bond sales annually must be sold competitively.

The actual percentage of bonds sold competitively:

- ✓ FY 2005--were 32.6% of G.O. and 37.5% of Build Illinois bonds;
- ✓ FY 2006--were 32.4% of G.O. and 30.2% of Build Illinois bonds;
- ✓ FY 2007--25.6% of G.O. bonds;
- ✓ In FY 2008--100% of all bond sales (there was only one issuance of Build Illinois bonds and one issuance of G.O. bonds, both sold competitively.
- ✓ FY 2009 to date – 100% of G.O. bond sales, (one issuance of $150 million sold competitively).

Payment and Maturity

- Equal principal or mandatory redemption amounts.
- First maturity occurring within the fiscal year in which the bonds are offered or within the next succeeding fiscal year, and maturing or subject to mandatory redemption each fiscal year thereafter.
- Maximum 25 year maturities.

The payment and maturity requirements to date have been followed by the Office of Management and Budget.

NO Capitalized Interest.

No interest has been capitalized since this requirement went into affect.

No Certificates of Participation

The Office of Management and Budget is not allowed to issue Certificates of Participation unless otherwise authorized by law.

No Certificates of Participation have been issued by the Office of Management and Budget since this Act went into affect.

Refunding bonds

- All bonds in an issue that include refunding bonds must mature no later than the final maturity date of the bonds being refunded.
- Net present value of debt service savings must be 3% or more of the principal amount of the refunding bonds to be issued.
- Refunding principal maturing and redemption amounts due shall be greater than or equal to that of the bonds they are refunding.

The Office of Management and Budget would like to remove these restrictions to allow for debt restructuring to give deficit relief to the State in FY 2010.

Transparency.

The Office of Management and Budget:

- must not contract with anyone who pays a contingent fee to a third party for promoting their selection.
- must wait 2 calendar years before contracting with a party who made a false certification of contingent fees.
- must make detailed cost of issuance summaries available to the public and submit copies of all contracts for costs of issuance to the Commission on Government Forecasting and Accountability.

"Truth in borrowing" disclosures

Truth in borrowing disclosures are required for every bond issuance and must include:

- principal and interest payments to be paid on the bonds over the full stated term.
- total principal and interest to be made each fiscal year on all other outstanding bonds issued over the full stated terms of those bonds.

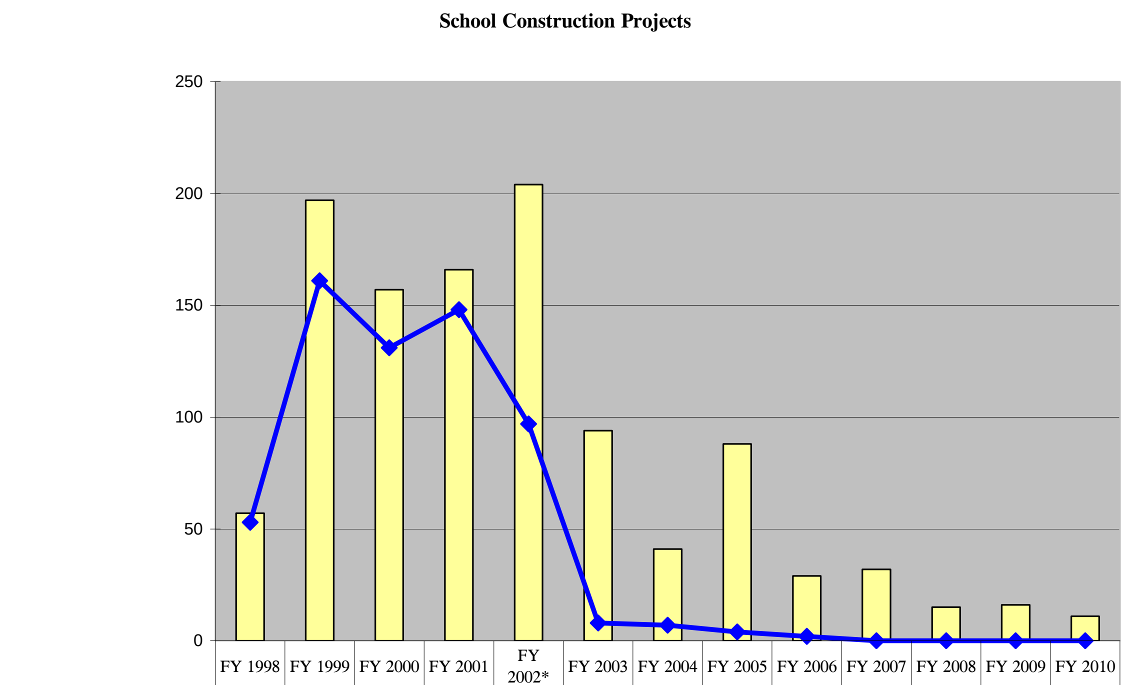
All truth in borrowing disclosures have been made by the Office of Management and Budget, although not always in the time required.

The following table illustrates the debt responsibility measures and whether they have been followed.

Debt Responsibility Measures						
FY 2005	**Cost of Issuance Limit 0.50%**	**Capitalized Interest**	**Within Maximum Maturity**	**Negotiated v. Competitive**	**Level principal**	**Annual maturity/ mandatory redemption**
G.O. September 2004 $285 million	0.28%	no	√	Competitive	√	√
G.O. November 2004 $275 million	0.35%	no	√	Negotiated	√	√
Build IL February 2005 $75 million	0.37%	no	√	Competitive	√	√
G.O. April 2005 $315 million	0.36%	no	√	Negotiated	√	√
Build IL June 2005 $125 million	0.42%	no	√	Negotiated	√	√
FY 2006						
G.O. September 2005 $300 million	0.33%	no	√	Competitive	√	√
G.O. January 2006 $325 million	0.34%	no	√	Negotiated	√	√
Build IL March 2006 $65 million	0.48%	no	√	Competitive	√	√
Build IL June 2006 $150 million	0.43%	no	√	Negotiated	√	√
G.O. June 2006 $274.95 million Refunding	0.36%	no	√	Negotiated	√	√
G.O. June 2006 A&B $300 million	0.35%	no	√	Negotiated	√	√
FY 2007						
G.O. April 2007 $150 million	0.29%	no	√	Competitive	√	√
G.O. June Series A $108 million	0.44%	no	√	Negotiated	√	√
G.O. June Series B* $329 million	0.34%	no	√	Negotiated	√	√
FY 2008						
Build IL July 2007 $50 million	0.46%	no	√	Competitive	√	√
G.O. April 2008 $125 million	0.50%	no	√	Competitive	√	√
FY 2009						
G.O. April 2009 $150 million	0.39%	no	√	Competitive	√	√

School Construction Update

The chart below shows the applications received by the State Board of Education through FY 2010. The applications have dwindled mainly due to the lack of funding.



	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002*	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Applications Received	57	197	157	166	204	94	41	88	29	32	15	16	11
Applications Entitled	53	161	131	148	97	8	7	4	2	0	0	0	0

[1.] *“Entitlement signifies that a district has demonstrated a need and is eligible for a grant should sufficient funds be appropriated.” (Source: Illinois State Board of Education)*
[2.] *There were 191 applications entitled in 2002, but approximately ½ were not able to secure their local share and were moved into the 2003/2004 cycles.*
[3.] *FY 2003 through FY 2009 entitlements are suspended except for emergency situations. This amount denotes estimated emergency situations.*

History: Public Act 92-0598, which was signed into law at the end of FY 2002, increased School Construction authorization by $930 million to $3.15 billion. FY 2003 and FY 2004 appropriations of $500 million each, allowed for the funding of 87% of the entitled FY 2002 projects. Of the 97 entitled applications in FY 2002, 24 entitled projects remain on the list and have not received funding. Those projects are listed on the table on the following page.

OFFICIAL PRI`ORITY RANKING FOR REMAINING FY 2002 SCHOOL CONSTRUCTION GRANT ENTITLEMENTS MAY 17, 2004 PRIORITY 2: SHORTAGE OF CLASSROOMS DUE TO POPULATION GROWTH OR TO REPLACE AGING SCHOOL BUILDINGS					
	School District	County	House District	Senate District	Priority Ranking
1	ROCHESTER CUSD 3A	SANGAMON	100	50	6.14
2	FAIRFIELD PUBLIC SD 112	WAYNE	108	54	5.973
3	STEWARDSON - STRASBURG CUSD 5A	SHELBY	109	55	5.66
4	JOHNSTON CITY CUSD 1	WILLIAMSON	117	59	5.411
5	WINFIELD SD 34	DUPAGE	95	48	5.032
6	EAST ST LOUIS SD 189	ST CLAIR	114	57	4.988
7	SILVIS SD 34	ROCK ISLAND	71	36	4.612
8	JOLIET PUBLIC SD 86	WILL	86	43	3.904
9	COMMUNITY CONSOLIDATED SD 93	DUPAGE	45	23	3.85
10	HINCKLEY BIG ROCK CUSD 429	DEKALB	70	35	3.557
11	WEST NORTHFIELD SD 31	COOK	57	29	0.837
12	DU QUOIN CUSD 300	PERRY	115	58	0.736
13	BENTON CCSD 47	FRANKLIN	117	59	0.597
14	VILLA PARK SD 45	DUPAGE	46	23	0.28
15	WESTCHESTER SD 92-5	COOK	7	4	0.23
16	BIG HOLLOW SD 38	LAKE	52	26	0.225
17	MATTESON ELEM SD 162	COOK	38	19	0.15
18	CENTRAL SD 104	ST CLAIR	112	56	0.131
19	NORTHBROOK ELEM SD 27	COOK	57	29	0.128
20	MANTENO CUSD 5	KANKAKEE	79	40	0.088
21	BRADLEY SD 61	KANKAKEE	79	40	0.057
22	BETHALTO CUSD 8	MADISON	111	56	0.032
23	WESTMONT CUSD 201	DUPAGE	47	24	0.03
24	CITY OF CHICAGO PUBLIC SCHOOLS 299*	COOK			
	NOTE: The City of Chicago Public Schools receive 20% of the total grant awards. SOURCE: Capital Development Board				

Need: State school construction grants of $3.1 billion to date have benefited 502 school districts to aid in the building of 265 new schools and 3,177 renovations/additions.

Nine of the 32 districts that responded to the 2008 Capital Needs Assessment Survey stated that their districts would need to exceed their general obligation debt limit to finance construction needs over the next two years. Enrollment growth was reported for 119 districts of the 338 districts responding to the question.

The Capital Development Board's 2009 Capital Needs Assessment shows that 456 elementary, secondary and unit school districts have the following $7.8 billion worth of needs:

- Over $1.7 billion is needed to build 116 school buildings;
- $5.0 billion is needed for overall general repair and remodeling, of which $3.1 billion is needed for Health/Life Safety needs;
- Over $1 billion is needed for 214 building additions;
- To ease overcrowding, districts are using 370 temporary classrooms;
- 4 school districts are considering consolidation;
- 593 Pre-Kindergarten classrooms are needed; and
- 513 Kindergarten classrooms are needed.

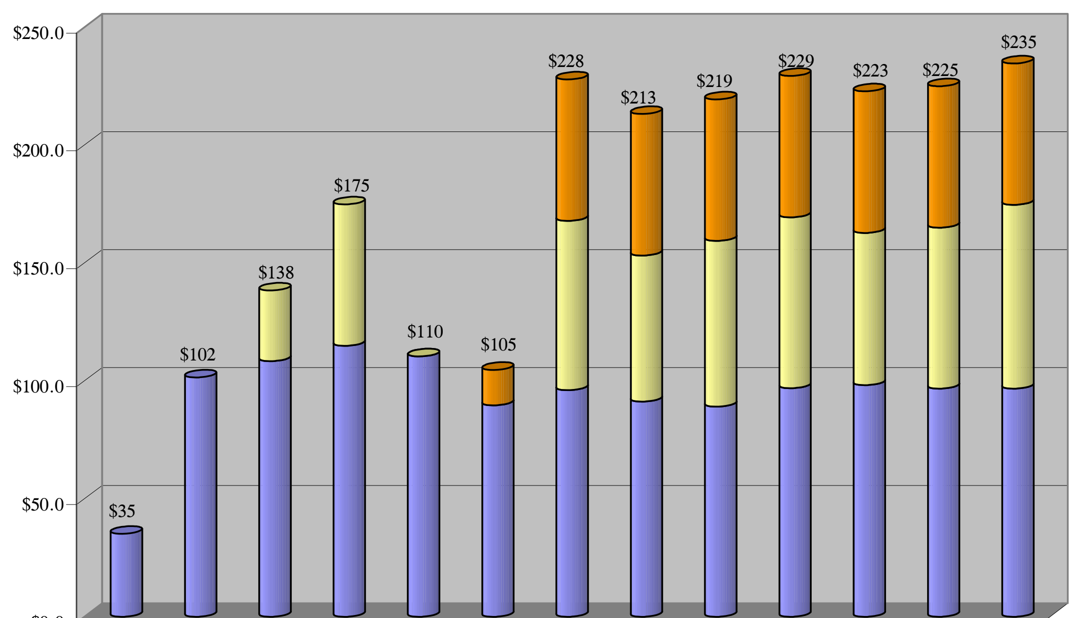
Appropriations for projects (in millions)	
FY 1998	$30.0
FY 1999	$260.0
FY 2000	$500.0
FY 2001	$500.0
FY 2002	$740.0
FY 2003	$500.0
FY 2004	$500.0
FY 2005	$0.0
FY 2006	$18.0
FY 2007	$0.0
FY 2008	$0.0
FY 2009	$0.0
FY 2010*	$1,625.0

The School Construction Grant Program has basically received no new appropriations since FY 2004. The Governor has requested a new appropriation for FY 2010 of $1.625 billion. This appropriation would be broken out with:

- $1.5 billion for School Construction, $149 million of which would go to cover the above listed 24 school district projects which have already been approved for funding,
- $100 million for School Maintenance grants. and
- $25 million in grants for Pre-K construction.

Debt service on School Construction bonds is paid for by transfers from the School Infrastructure Fund. This fund receives transfers from the General Revenue Fund in the amount of $60 million a year (approximately 75% of the additional liquor tax increase from IL FIRST), $60 million a year from the cigarette tax ($5 million a month from the cigarette tax increase enacted in FY 2002 which began April 1, 2003), and 1/7th of the 7% Telecommunications Excise tax from the School Reform Act.

School Infrastructure Fund Revenues



	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Cigarette Tax						$15.0	$60.0	$60.0	$60.0	$60.0	$60.0	$60.0	$60.0
Liquor Tax/GRF			$30.0	$60.0	$0.0	$0.0	$71.8	$62.0	$70.3	$72.5	$64.6	$68.3	$78.0
Telecom Tax	$35.2	$101.5	$108.4	$114.9	$110.4	$89.7	$96.1	$91.2	$89.1	$96.9	$98.2	$96.7	$96.7

^FY 2009 and FY 2010 amounts are CGFA estimates.
**The liquor tax transfer was suspended for FY 2002 and FY 2003 as part of the budget agreement.*

As the annual liquor and cigarette tax revenues deposited into the School Infrastructure Fund are set amounts, the telecommunications tax revenues become the main factor in determining if revenues will cover School Construction debt service. The Telecom revenues portion has been below $100 million each year since FY 2003. Whenever this amount falls under the 1999 level of $101 million, GRF backfills the shortage amount, which has been done since FY 2004.

General Revenue Fund Backfill amounts for School Construction Fund ($ in millions)						
FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
$11.8	$2.0	$10.3	$12.5	$4.6	$8.3*	$8.3*

** CGFA Estimates based on GOMB estimate debt service, including the Governor's capital plan school construction bond sales.*

Telecom revenues for FY 2009 directed to the Fund are expected to be around $96.7 million (CGFA March 2009 estimate). The Comptroller has already transferred an additional $8.3 million from GRF into the School Infrastructure Fund (through April 6, 2009) for FY 2009. Additional transfers from the General Revenue Fund are allowed since School Construction bonds are general obligations of the State and would normally be paid from the General Revenue Fund. School Construction bonds are "double barrel" bonds because they are G.O. bonds that are funded from specific revenue streams. In the past, each time the program was expanded an additional revenue stream was added to pay for the increases in funding.

Debt service on School Construction G.O. Bonds ($ in Millions)										
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009†	2010†
$21.2	$49.4	$73.2	$127.5	$154.6	$196.7	$225.9	$232.9	$235.9	$223.1	$234.7

†*Office of Management and Budget estimate.*

School Infrastructure Fund revenues are estimated to be $225 million in FY 2009 and $235 million in FY 2010 (CGFA estimate based on GOMB expected debt service). Debt service is expected to be $223 million in FY 2009 and approximately $235 million in FY 2010 per the Governor's Office of Management and Budget. Funds are transferred monthly from the School Infrastructure Fund to the General Obligation Bond Retirement and Interest Fund to pay for the school construction portion of debt service.

Short-Term Borrowing

Failure of Revenues: The Illinois Constitution (Section 9 (d)) allows State debt to be incurred in an amount not exceeding 15% of the State's appropriations for the current fiscal year to meet deficits caused by emergencies or failures of revenue. The debt must be repaid within one year of the date it is incurred. Under the Short Term Borrowing Act in State statute, this is referred to as (30 ILCS 340/1.1) "**Borrowing upon failures in revenue**". Before incurring debt under this Section, the Governor shall give written notice to the Clerk of the House of Representatives, the Secretary of the Senate, and the Secretary of State setting forth the reasons for the proposed borrowing and the corrective measures recommended to restore the State's fiscal soundness. The notice shall be a public record and open for inspection at the offices of the Secretary of State during normal business hours. No debt may be incurred under this Section until 30 days after the notice is served.

On March 27, 2009, the Office of the Governor notified the Legislature and the Secretary of State of a proposed short term borrowing per statute. The amount is not to exceed $2.3 billion and might be sold in two issuances. With the 30 day notice period, GOMB may not issue the Certificates until April 27, 2009 [The notice is attached].

Cash Flow Pressures: According to the Illinois Constitution [Section 9(c)], State debt may be incurred in anticipation of revenues to be collected in a fiscal year in an amount not exceeding 5% of the State's appropriations for that fiscal year, and be retired from the revenues realized in that fiscal year. Under the Short Term Borrowing Act in State statute, this is called "**Cash flow borrowing**" [30 ILCS 340/1], which is allowed whenever significant timing variations occur between disbursement and receipt of budgeted funds within a fiscal year. In this case it becomes necessary to borrow in anticipation of revenues to be collected in a fiscal year.

The State competitively bid $1.4 billion in General Obligation Certificates in December 2008. Proceeds were deposited into the General Revenue Fund to relieve cash flow pressures. The certificates will be paid back in three installments, in April, May and June of 2009. The competitive bid process was extended until December 16, 2008, to allow for language to be rewritten concerning the federal complaint against the Governor [Blagojevich] and possible litigation, to be signed off by the Attorney General. Due to lowered ratings on the G.O. Certificates and the State's G.O. bonds, the Governor's arrest, the State's $2 billion deficit, and the economy, broker-dealer interest in the Certificate sale declined. Of the few bids, J.P. Morgan won the three maturities at an average yield to the State of 3.99%, a large increase compared to the 1.94% and 2.1% paid on last Spring's $1.2 billion G.O. Certificate sale. Debt service will be approximately $26.7 million for the $1.4 billion Certificates compared to only $3.5 million for the April 2008 $1.2 billion Certificates.

OFFICE OF THE GOVERNOR
207 STATE HOUSE
SPRINGFIELD, ILLINOIS 62706

FILED
INDEX DEPARTMENT
MAR 2 7 2009
IN THE OFFICE OF
SECRETARY OF STATE

PAT QUINN
GOVERNOR

March 27, 2009

NOTICE OF PROPOSED SHORT TERM BORROWING

TO: Clerk, Illinois House of Representatives
Secretary, Illinois Senate
Secretary of State of Illinois

Please take notice as follows:

Whereas

Actual revenues to the General Revenue Fund in fiscal year 2009 are estimated as of the time of this notice to be less than the projected revenues in the adopted budget for fiscal year 2009 by $3.281 billion and have contributed to a balance of unpaid obligations in the amount of approximately $3.2 billion as estimated as of the end of March 2009.

Therefore:

1. It is proposed that the State borrow, through the issuance of up to two series of short-term certificates, an aggregate principal amount not to exceed $2.3 billion. The borrowings will be made pursuant to the provisions of the Short Term Borrowing Act, 30 ILCS 340 Section 1.1 and this Notice is given pursuant to its terms. The proceeds of the borrowings would be applied to the purposes for which amounts were appropriated in the General Funds for this fiscal year, and payment of interest on the borrowings. The aggregate amount of the borrowings would not exceed 15% of the total State appropriations for fiscal year 2009 and will not take place until at least 30 days after this notice.

2. I have taken, and recommend taking, the following corrective measures, among others, to restore the State's fiscal soundness:

A) Lessen spending from the General Funds for operations by requiring increased budgetary reserves by all agencies under the Governor, placing restrictions on all large procurements, executing agency consolidations, increasing state employee health benefit contributions; and requiring all non-public safety and non-direct patient care employees of the State to take four furlough days;

B) Enhancing revenues by increasing the State's individual and corporate income tax rates and implementing changes to the corporate income tax code; and

C) Reducing spending from the General Funds for pensions by reforming the State's pension system to achieve $162 billion of overall savings, thereby decreasing the annual contribution requirements to the State's five retirement systems for fiscal years 2009 and 2010, and/or issuing Pension Obligation Bonds with appropriate market conditions.

Pat Quinn
Governor
State of Illinois

FILED
INDEX DEPARTMENT
MAR 2 7 2009
IN THE OFFICE OF
SECRETARY OF STATE

Hospital Provider Assessment Program: The State of Illinois has been approved for a third Hospital Assessment Program. The Federal Government will match $1.5 billion in Medicaid payments from the Illinois Department of Healthcare and Family Services to hospitals. Illinois will receive approximately $775 million in matching federal funds per year for five years. Hospitals will receive $640 million in additional funding while $130 million will be used for critical services from other Medicaid providers in the State.

In April 2008, the State sold General Obligation Certificates in the amount of $1.2 billion to supplement the Hospital Provider Assessment Program and other health care funds. The State paid off $900 million of the Certificates in May and $300 million in June, and paid approximately $3.5 million in interest. Federal reimbursements gave the State an additional $465 million for hospitals, $80 million for the General Revenue Fund and $50 million to other State healthcare funds.

The State sold $1.2 billion of General Obligation Certificates in September 2007. The borrowing provided liquidity to the Hospital Provider Fund to make supplemental payments to certain public and non-public hospitals within Illinois as part of the Hospital Provider Assessment Program. The State used the funds raised from this tax to leverage $600 million in additional funds from the federal government, of which $470 million went back to hospitals, while the additional $130 million was used by the State for other Medicaid services. Upon making the supplemental payments from the Hospital Provider Fund, the State deposited Federal Medicaid Reimbursements and Hospital Assessment Tax Receipts into the Fund. Those receipts paid off the short-term borrowing and the residual balance was transferred to the General Revenue Fund and other healthcare related Funds. The Certificates matured November 9, 2007, when the State made a $1.2 billion principal payment and a $6.2 million interest payment.

The State also competitively sold $900 million of General Obligation Certificates in February of 2007 for the Hospital Provider Assessment Tax Program. Previous Short-term borrowing occurred in March and November of 2005, for $765 million and $1 billion, respectively, to be spent on Medicaid bills.

HISTORY OF SHORT TERM BORROWING			
Date Issued	**Amount (millions)**	**Purpose**	**Date Retired**
June-July 1983	$200	To maintain adequate cash balances caused by revenue shortfalls	May 1984
February 1987	$100	To improve the cash position of the General Funds	February 1988*
August 1991	$185	For cash flow purposes	June 1992
February 1992	$500	To pay Medicaid providers through the Medicaid Developmentally Disabled Provider Participation Fee, Medicaid Long-Term Care Provider Participation Fee, and Hospital Services Trust Funds	October 1992*
August 1992	$600	To improve the payment cycle to Medicaid service providers	May 1993
October 1992	$300	For cash flow purposes	June 1993
August 1993	$900	For cash flow to pay Medicaid service providers through the Hospital Provider Fund	June 1994
August 1994	$687	To pay Medicaid service providers through the Long-Term Care and Hospital Provider Funds	June 1995
August 1995	$500	To GRF for cash flow and payment to Medicaid service providers through the Long-Term Care Provider Fund and Hospital Provider Fund	June 1996
July 2002	$1,000	For Cash Flow; payments for medical assistance; to medical providers for long-term care; to pay Income Tax Refunds	June 2003
May 2003	$1,500	For Cash Flow; payments for medical assistance; to medical providers for long-term care; for Income Tax Refunds; for State Aid to K-12 school districts	May 2004*
June 2004	$850	For Medicaid service providers and the Children’s Health Insurance Program	October 2004*
March 2005	$765	For Cash Flow; for payments to Medicaid Service Providers through the Hospital Provider Fund.	June 2005
November 2005	$1,000	For Cash Flow; for payments for Medicaid and the Children’s Health Insurance Program.	June 2006
February 2007	$900	For the Hospital Provider Assessment Tax Program; health care related funds; General Revenue Fund liquidity.	June 2007
September 2007	$1,200	For the Hospital Provider Assessment Tax Program; health care related funds; General Revenue Fund liquidity.	November 2007
April 2008	$1,200	For the Hospital Provider Assessment Tax Program; health care related funds; General Revenue Fund liquidity.	June 2008
December 2008	$1,400	To relieve General Revenue Fund cash flow pressures.	June 2009
Source: Office of Management & Budget *Across fiscal year borrowing			

Pension Obligation Bond Proposal

The Governor is proposing an $8 billion-$12 billion Pension Obligation Bond sale at some point in time when market conditions are favorable. GOMB would like the standards for selling the POBs to be relaxed so that debt service payments could be structured differently from the required level principal payment and for a longer period. **The Governor's Office of Management and Budget has not released any details of this proposal.** Pension Obligation Bonds are sold as taxable bonds because proceeds will be invested. POBs sold as general obligations of the State are more attractive to bond buyers who know that the G.O. pledge means the debt service will be appropriated and the bonds will be paid by the State. If the legislature approves authorization for an additional Pension Obligation bond issuance of $8-$12 billion, then either the new POBs would have to be excluded from the 7% debt cap, or the cap will have to be raised. As of December 31, 2008, the State retirement systems unfunded liability was approximately $73.4 billion.

Other Post-Employee Benefits Liability Reporting

Other post-employment and health care benefit (OPEB) unfunded liabilities are expected to be $23.9 billion (per the Preliminary Official Statement of the April 2009 G.O. Bond sale). According to the Bond Buyer ("Illinois OPEB Smaller But Still Daunting", April 22, 2008), 40 states have reported their OPEB liabilities which range from North Dakota's $52 million to New Jersey's $58 billion. Other states with large OPEB unfunded liabilities include New York and California which were both in the $47-$48 billion range. The average OPEB liability for states is $9-$10 billion.

GASB 45 requires reporting of the OPEB unfunded liabilities, but does not require action to be taken. Currently, there is no standardization to the calculation of these liabilities and governments are not required to list their assumptions or calculation methods. The National Federation of Municipal Analysts is requesting the Government Accounting and Standards Board to change this. Fitch Ratings has stated that, "if an issuer's GASB 45 compliance shows a large and growing OPEB liability and the entity chooses to defer action, Fitch's assessment of management would be negative, which could have ratings implications". Both Fitch and Standard and Poor's have reported that governments must address their OPEB unfunded liabilities because healthcare costs will continue to increase in future years, putting pressure on government funds, which, in turn, could affect a State's credit and credit rating. Bonding to help fund these OPEB's is an option, but would move what is considered a "soft debt" of liabilities that are paid at some time in the future, to a "hard debt" of bond debt service that requires specific payments annually. Even in their current states of soft debt, rating agencies do evaluate the effect of pension and other post-employment and health care benefits on each state's budget, and will use this analysis when reviewing each state's credit rating. [Sources: Old Promises, Emerging Bills: Considering OPEB in Public Finance Ratings, Fitch Ratings, March 22, 2007. Market Volatility Could Shake Up State Pension Funding Stability, Standard & Poor's, February 20, 2008.]

Metropolitan Pier & Exposition Authority (MPEA) Debt Restructuring

There are two categories of bonds sold by the MPEA. The first are Dedicated State Tax Revenue bonds which get transfers from the Build Illinois Fund for annual debt service (the Build Illinois Fund receives portions of the State's sales tax, hotel tax and vehicle use tax). The second, Expansion Bonds, are paid for from Chicago-related taxes: the airport departure tax, automobile renting tax, hotel tax, and local restaurant sales tax. In the event that the funds to pay debt service on the Expansion Bonds are not sufficient, a backup pledge of sales tax revenue from the Build Illinois Fund may be used, up to a maximum amount as stated in the sales tax acts, shown in the table to the left. The backup pledge amounts mirror the debt service payments of the Expansion bonds.

The State backup funds have only been used in a borrowing situation and have been paid back:

$18 million in FY 2004,
$28 million in FY 2005,
$38 million in FY 2006,
$30 million in FY 2007, and
$38 million in FY 2008.

McCormick Place Expansion Bonds Back-up Maximum (in millions)		
	Current	**Proposed**
FY 2008	$126	$126
FY 2009	$132	$132
FY 2010	$139	$139
FY 2011	$146	$146
FY 2012	$153	$153
FY 2013	$161	$161
FY 2014	$170	$170
FY 2015	$179	$179
FY 2016	$189	$189
FY 2017	$199	$199
FY 2018	$210	$210
FY 2019	$221	$221
FY 2020	$233	$233
FY 2021	$246	$246
FY 2022	$260	$260
FY 2023	$275	$275
FY 2024	$275	$275
FY 2025	$275	$275
FY 2026	$275	**$287**
FY 2027	$275	**$303**
FY 2028	$275	**$320**
FY 2029	$275	**$337**
FY 2030-2042	$275 annually	**$350 annually**
FY 2043-2050	--------	**$350 annually**

Legislation has been introduced to allow the Authority to restructure and refund their debt and extend the refunding maturities to 2050, past the maturities of the bonds they would be refunding. Refunding at this time could bring in a lower interest rate, while extending and restructuring debt service payments would give them latitude, even if local taxes under-perform in the future. Part of the plan to pay back the new authorization and refunded bonds would be to push out the State's back-up pledge of sales taxes to 2050 (changes shown in the table to the left). This would also prolong the Chicago-related taxes being imposed by the Authority for another 6 years within the MPEA area. **Without these changes, MPEA sales tax receipts in FY 2009 will not be sufficient to pay back any borrowing it would do this year or future years from the State's backup pledge.**

The MPEA has a reserve fund called the Authority Tax Fund. The balance of this fund has fluctuated over the past several years. At the end of June 30, 2001, the balance was $29.6 million. The fund dipped to approximately $2.3 million by June 30, 2006, increased to $8.5 million by the end of FY 2007, and was at $1.7 million at the end of FY 2008. Revenue collections were strong enough in FY 2008 to pay back the backup pledge to the State, but from FY 2009 on, the MPEA does not expect revenues will be able to match the increases in debt service. The most recent estimates of revenues for FY 2009 are $115.5 million, while Expansion debt service will be $132 million. After adding in the reserve fund balance projected, this would make a draw on the State's backup fund of approximately $13.8 million. The MPEA stipulates that these estimates are from February 2009. They haven't seen the full impact of the economic downturn yet due to the lag of the collection process, but will begin to see the hit soon, and that the amount needed from the State's backup pledge could be larger than initially anticipated.

The MPEA would also like to raise authorization by $350 million to expand their Hyatt Regency -McCormick Place Hotel from 800 rooms to 1400, and include a ballroom, meeting space, parking facility and other improvements for McCormick Place to remain competitive. Once new hotel rooms are up and running, the Authority would use these new revenues to help pay for debt service.

Current Debt Service for Expansion & Dedicated Bonds

Fiscal Year	Debt Service
FY 2008	$157.6 million
FY 2009	$163.6 million
FY 2010	$170.6 million
FY 2011-FY 2015	$940.0 million
FY 2016-FY 2020	$1,051.9 million
FY 2021-FY 2025	$1,330.9 million
FY 2026-FY 2030	$1,374.9 million
FY 2031-FY 2035	$1,375.0 million
FY 2036-FY 2040	$1,375.0 million
FY 2041-FY 2042	$550.0 million
TOTAL	**$8,489.5 million**

The table to the right shows total debt service for Dedicated and Expansion bonds. Expansion bond debt service increases each year through FY 2023 and then levels off through FY 2042. Dedicated bond debt service will be retired in FY 2015. **Under the new plan debt service would be spread out for 8 more years and cost an additional $3.9 billion, with early debt service payments being lower to be able to surplus tax revenues for larger payments later.**

Toll Highway Authority Congestion-Relief Program Update

The Illinois State Toll Highway Authority's 10-year plan, named the Congestion-Relief Program, includes the first restructuring of tolls since 1983. The Program is designed to reduce congestion and add capacity by rebuilding, restoring and expanding the Tollway system and utilizing open road tolling. This Program, which was expected to cost $5.3 billion, was reassessed in the spring of 2007. A number of projects were reevaluated and were modified or enhanced due to roadway conditions or to accommodate input from municipalities. Due to increased materials and construction costs, the budgets for remaining projects were reevaluated and in some cases increased. Finally, significant additions were made to the Program to address additional portions of the system and to provide access improvements to the Tollway. Based upon the Program changes, the overall budget for the Program was increased by $1 billion to $6.3 billion and the schedule was lengthened by two years from 2014 to 2016. These changes were approved by the Authority at its September 7, 2007 Board meeting.

Of the $1 billion budget funding increase, half will come from additional bonding bringing the total bonding for the Program to $3.5 billion, while the other half will be paid for by Authority funds in the amount of $2.8 billion ("pay-as-you-go" from revenues). The Tollway has sold approximately $2.8 billion of bonds to date, refunded $766 million of debt, and restructured and remarketed another $700 million of variable-rate demand bonds. In May 2009, the Authority plans on selling $500 million in bonds, some as Build America Bonds (BAB) under the American Recovery and Reinvestment Act of 2009. The tentative plan is to sell $400 million as taxable BABs, and then apply to the federal government for a 35% direct-pay interest subsidy. The authority would secure the bonds with current revenues and deposit the BAB subsidy with the bond trustee to help cover interest payments.

Moody's affirmed its ratings of the Authority at Aa3 with a stable outlook, and Standard & Poor's affirmed its AA- with a stable outlook. Fitch Ratings, while affirming its rating of AA-, attached a negative outlook, stating that the Authority's "forecast shows traffic recovering to 20% above current levels"… in order to keep a 2x coverage ration. "…given the economy and volatility of fuel prices which are out of the authority's control, they may not be able to meet those targets."

The Authority's revenues from tolls grew 1% in 2007 and 1.9% in 2008. Tollway projections are for a rise in collections by 21% to $736 million by 2011. The Authority expects operating costs to only increase 3% annually, although recently costs have grown by 6% annually. Debt service will rise from $165 million in 2009 to $225 million in 2010.

There is no dollar amount limit on the Authority's bonding, and the bonds are allowed a maximum maturity of 25 years [605 ILCS 10/17]. Tollway bonds are not backed by the State, but the Governor must approve bond sales. The following table shows total debt service for outstanding bonds after the $350 million revenue bonds were issued.

DEBT MANAGEMENT

- **Authorization**
- **Bond Sales**
- **Outstanding Debt**
- **Debt Service**
- **Recent Illinois Rating History**
- **Debt Comparisons: Illinois v. Other States**

Authorization

General Obligation bonds are viewed as the most secure type of bond issuance by any government because they carry the pledge that the government will pay the bondholders from any and all revenues. States often issue debt when funds are not available to pay for projects and in time of budget crises. Today, the G.O. pledge is used in new areas to make the sale of certain types of bonds more attractive in the current market. Illinois is no different, having legislated G.O. authorization for Tobacco "Securitization" bonds for FY 2003 (never used) and Pension Obligation Bonds in FY 2003. With these changes in the General Obligation arena, authorization has become more complicated. Below are authorization levels including legislative changes made over the past years to the General Obligation Bond Act:

TABLE 4: GENERAL OBLIGATION AUTHORIZATION LEVELS

(in billions)	New Projects	Tobacco*	Pension Systems	**Subtotal**	Refunding	**Total**
May 2000	$14.198	N/a	N/a	**$14.198**	$2.84	**$17.037**
June 2001	$15.265	N/a	N/a	**$15.265**	$2.84	**$18.104**
June 2002	$16.908	$0.750	N/a	**$17.658**	$2.84	**$20.497**
April 2003	$16.908	$0.750	$10.000	**$27.658**	$2.84	**$30.497**
January 2004	$16.927	$0.750	$10.000	**$27.677**	$2.84	**$30.516**
January 2009	$16.962	$0.750	$10.000	**$27.712**	$2.84	**$30.551**
April 2009	$19.962	$0.750	$10.000	**$30.712**	$3.84	**$34.551**

* Tobacco Securitization Authorization was allowed only for FY 2003. It was not used and has now expired.

The current General Obligation bond authorization for new projects is $19.962 billion, with approximately $4.821 billion unissued as of April 20, 2009. In January 2009, there was a $35 million increase in authorization in the Coal and Energy Development category to allow the Illinois Power Agency to pay for cost reports for new facilities. In April 2009, PA 96-0005 increased Transportation A authorization for road and bridges by $2 billion and Transportation B authorization for mass transit and rail projects by $1 billion for what has been termed the Governor's mini capital plan.

The $10 billion of authorization for Pension Obligation Bonds was sold in one issuance in June 2003, while Tobacco "Securitization" bond authorization has expired. *The Governor is proposing a second Pension Obligation Bond issuance of $8-12 billion which would require authorizing legislation.*

TABLE 5: RECENT BUILD IL AUTHORIZATION INCREASES (in millions)		
Year	Public Act	Increase
1999	91-0039	$754.0
2000	91-0709	$61.0
2001	92-0009	$688.7
2002	92-0598	$264.8

Total Build Illinois bond authorization equals $3.806 billion with $422 million remaining unissued as of March 31, 2009. There is no refunding limit placed on Build Illinois bonds. The Build Illinois program began in 1985 as a $1.3 billion economic development initiative composed of $948 million in bonds and $380 million in current funding. Since that time, the bond program has been expanded and authorization increased several times, with the most recent increases shown in the table above. Although the program was originally to end in 1993, it was expanded a couple of times, the most recent being for Illinois First. The program is now winding down, with bonds still being sold due to timing of construction schedules.

The following table lists the General Obligation and Build Illinois bond authorization levels per statute, what has not been issued, and the remaining authorization "Available" after expected FY 2009 appropriations.

TABLE 6: STATUS OF G.O. AND STATE-ISSUED REVENUE BONDS as of April 30, 2009				
(in billions)	Authorization	Un-Issued	Appropriated†	Available after appropriations
Capital Facilities	$7.320	$0.758	$7.723	-$0.403
School Construction	$3.150	$0.184	$3.100	$0.050
Anti-Pollution	$0.480	$0.024	$0.475	$0.005
Transportation A	$5.432	$2.099	$3.944	$1.488
Transportation B	$2.882	$1.184	$2.861	$0.021
Coal & Energy Development	$0.698	$0.572	$0.209	$0.489
SUBTOTAL	**$19.962**	**$4.821**	**$18.312**	**$1.650**
Tobacco bonds	$0.750	$0.750	$0.000	$0.000
Pension bonds	$10.000	$0.000	$10.000	$0.000
TOTAL	**$30.712**	**$5.571**	**$28.312**	**$1.650**
	Limit	**Un-Issued**	**Outstanding**	**Available**
Refunding°	$2.839	$0.988	$1.851	$0.988
	Authorization	**Un-Issued**	**Appropriated†**	**Available after appropriations**
Build Illinois	$3.806	$0.422	$4.090	-$0.284
	Limit	**Un-Issued**	**Outstanding**	**Available**
Build IL Refunding	Unlimited	Unlimited	$0.648	Unlimited
	Authorization	**Un-Issued**	**Outstanding**	**Available**
Civic Center	$0.320	$0.148	$0.052	0.148
	Limit	**Un-Issued**	**Outstanding**	**Available**
Civic Center Refunding	Unlimited	Unlimited	$0.048	Unlimited
Source: Illinois Office of the Comptroller, Governor's Office of Management & Budget				

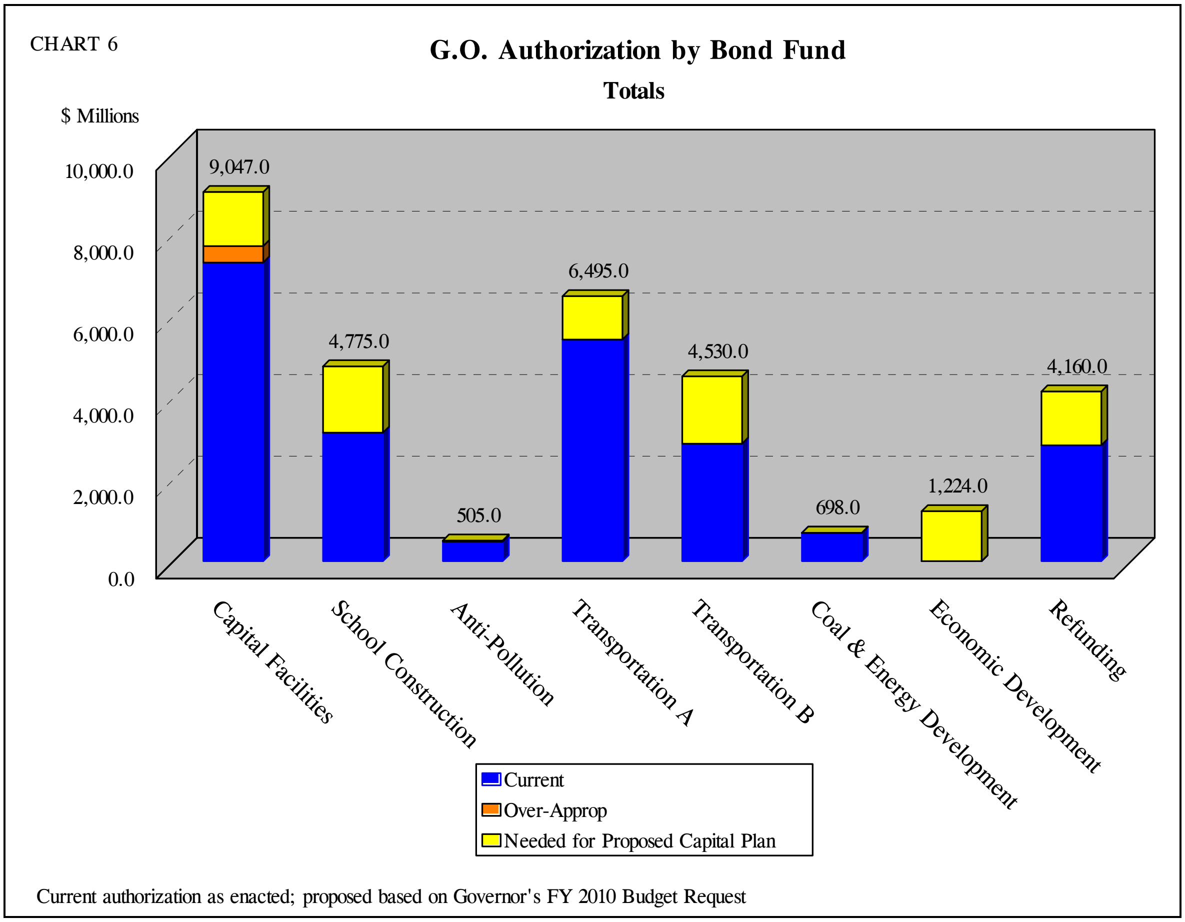
†Includes cumulative expenditures for prior years up through FY 2009 appropriations and reappropriations.

*Only $6 million of the School Construction Fund "available" is for the $3.05 billion School Infrastructure Program, while bond premium amounts can be used for this program.

°Refunding is limited only by how much is outstanding at one time. As principal amounts are paid off, those amounts become available for future refundings.

Excludes Bond issue premiums.

As shown by Table 6, certain categories have already been over-appropriated: Capital Facilities by $403 million and Build Illinois by $284 million through FY 2009 appropriations. Even though authorization was increased for Transportation A and B bonds, another $5.6 billion is needed for the Governor's capital plan. Authorization will need to be increased and some form of revenue source found to support new authorization, whether it be the Governor's proposed funding or other revenue sources.



The following amounts would be required to cover the remaining portions of the proposed capital plan appropriations and certain over-appropriations from previous fiscal years:

- Capital Facilities - $1.727 billion
- School Construction - $1.625 billion
- Transportation A - $1.063 billion
- Transportation B - $0.5 billion
- Economic Development (new G.O. bond category) - $1.224 billion

The Capital Budget does not show any new appropriations for Build Illinois Bonds, but to cover the over-appropriated amount from previous fiscal years, this authorization would need to be increased by $284 million.

Bond Sales

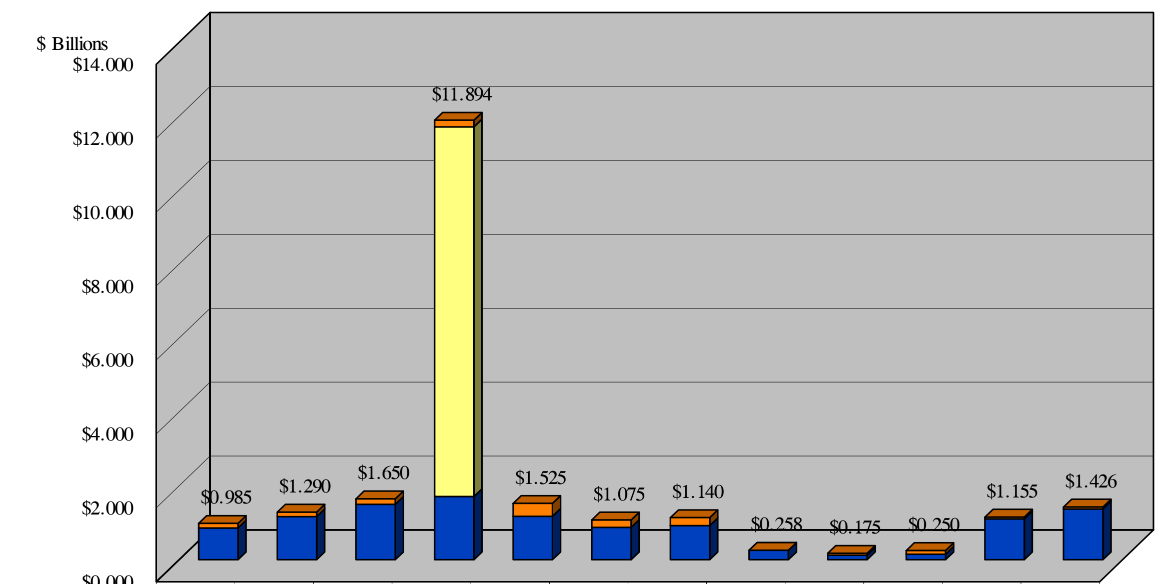
The State's capital programs have often, in part, been financed through the issuance of general obligation bonds (backed by the full faith and credit of the State) and Build Illinois (revenue) bonds. The Governor's Office of Management and Budget sold $150 million of General Obligation in April 2009 and estimates the sale of $100 million of Build Illinois bonds for the remainder of FY 2009. The Governor's Capital Plan estimates G.O. bond sales in FY 2010 of $1.105 billion and Build Illinois bond sales to be $50 million.

For FY 2009, The Governor's Budget includes a new Pension Obligation Bond sale of approximately $8-12 billion to infuse funds into the State's five pension systems to decrease the $73.4 billion unfunded liability. Legislation would have to be passed to increase authorization for Illinois Jobs Now and to allow more Pension Obligation Bonds. If more Pension Bonds are authorized as G. O. bonds, either the 7% debt service limit would need to be raised, or the bonds excluded from the limit.

Chart 7

STATE-SUPPORTED BOND SALES

(Excludes Refunding and Short-Term Borrowing)



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*	2010*	2011*
State Issued Rev	$0.125	$0.125	$0.150	$0.182	$0.350	$0.200	$0.215	$0.000	$0.050	$0.100	$0.050	$0.050
Pension Obligation				$10.000								
General Obligation	$0.860	$1.165	$1.500	$1.712	$1.175	$0.875	$0.925	$0.258	$0.125	$0.150	$1.105	$1.376

General Obligation · Pension Obligation · State Issued Rev

* GOMB Estimate

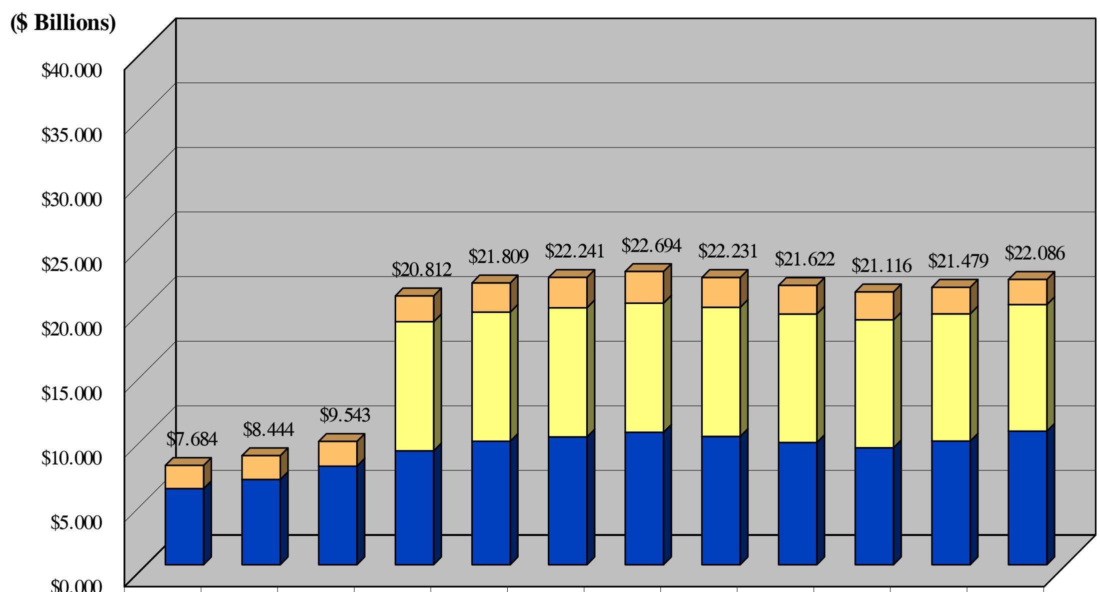
Source: Governor's Office of Management and Budget

Outstanding Debt

The following sections for principal outstanding and debt service will have a separate listing concerning Pension Obligation bonds, since they are not a part of the capital plan but do affect the State's outstanding debt and bond rating. Chart 8 indicates that at the end of FY 2002, principal outstanding was $9.5 billion. Total outstanding State-supported principal for FY 2003 increased to $20.8 billion, a 118.1% increase over the FY 2002 level, due to the sale of the $10 billion Pension Obligation Bonds. Without the Pension Obligation Bonds, debt would have increased to $10.8 billion, an increase of 13.3%. Increases from FY 2004 to FY 2006 have been in the 2%-5% range. After FY 2006, outstanding principal decreased by 2%-3% annually through FY 2009, due to debt service principal payments being higher than the amount of new bonds issued. Outstanding principal in FY 2010 will increase by 1.7% to $21.5 billion.

Chart 8

STATE-SUPPORTED PRINCIPAL OUTSTANDING



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*	2010*	2011*
State-Issued Revenue	$1.798	$1.844	$1.913	$1.999	$2.253	$2.348	$2.443	$2.305	$2.209	$2.164	$2.060	$1.952
Pension				$10.000	$10.000	$10.000	$10.000	$10.000	$9.950	$9.900	$9.850	$9.800
General Obligation	$5.886	$6.600	$7.630	$8.813	$9.556	$9.893	$10.251	$9.926	$9.463	$9.052	$9.569	$10.334

General Obligation Pension State-Issued Revenue

* Estimates made by GOMB
Sources: Governor's Office of Management and Budget

The Governor's Office of Management and Budget has highlighted the decline in outstanding principal from the FY 2006 level of $22.7 billion to the FY 2009 level of $21.1 billion, which equals approximately $1.6 billion. This decline in principal is due to two basic factors:

- Little or no bond issuance—there has not been bond funding for a capital plan since FY 2004. Any bond issuances over the past few years were made to pay for appropriated projects from previous years. Authorization levels for most bond categories had been spent until the April 2009 authorization increase for Transportation A and B (see Table 6 on page 46). Bonds sold over the FY 2007-FY 2009 period equaled $683 million, while bonds sold over the previous two-year period, FY 2005-FY 2006, equaled $2.2 billion.

- Paying debt service—the State has made its required debt service payments on General Obligation and State-Issued Revenue bonds, which will have paid down approximately $2.2 billion of principal from FY 2007 through FY 2009.

Issuing $683 million in new bonds while paying off $2.2 billion in principal will give you a net pay off of principal equaling $1.5 billion. No additional funds were spent on debt service to pay down principal.

Debt Service

Total FY 2009 Debt Service for G.O. (broken out below) and State-Issued Revenue (see chart 10 page 54) bonds combined is approximately $1.95 billion. This includes $1.16 billion for G.O. project bonds, $545 million for Pension Obligation Bonds, and $280 million for State-Issued Revenue bonds. **Total Debt Service in FY 2010 will equal $1.99 billion, consisting of $1.16 billion for G.O. project bonds, $544 million for Pension Obligation Bonds and $288 million for State-Issued Revenue bonds.** Since it is not known if the Governor's proposed Pension Obligation bonds will be approved, and if approved, when they would be issued, it is not certain whether debt service would be paid on them in FY 2010. Therefore, these numbers are not included in the debt service estimate.

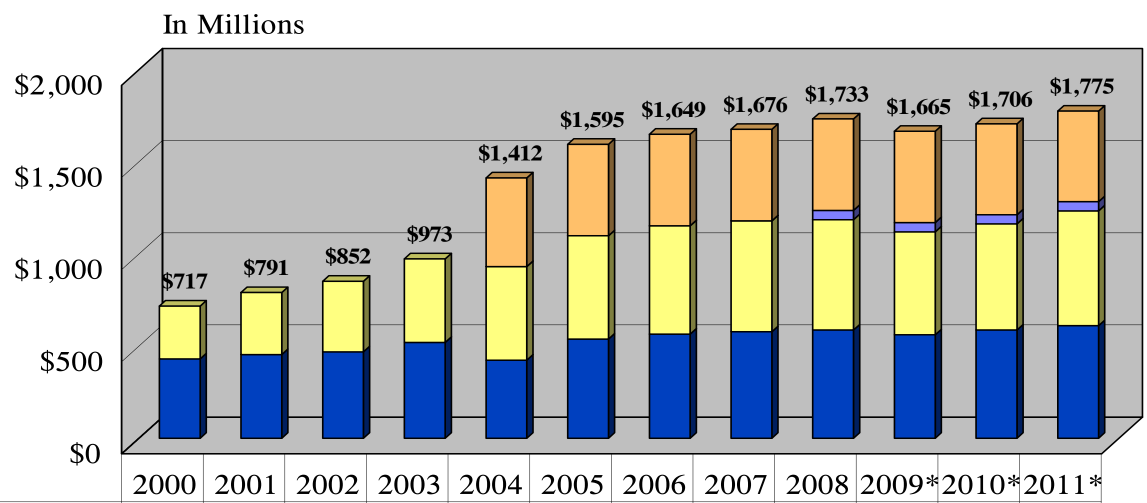
General Obligation Bonds

Debt service has increased annually since FY 2000, with the leap in FY 2003 for the Pension Obligation bonds. FY 2009 is expected to see a decrease in debt service of approximately 3.9%, which is caused by the low levels of bond sales over the past three years affecting debt service payments. Even without the Governor's capital plan, debt service payments will increase from the 2003 Pension Obligation bonds in FY 2012, when the increases in Pension Obligation debt service begins to ratchet up due to increasing principal payments. The 2003 POB debt service schedule is located at the end of this section.

Chart 9

GENERAL OBLIGATION DEBT SERVICE

Project v. 2003 POB principal and interest



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*	2010*	2011*
POB Interest					$481	$496	$496	$496	$496	$495	$494	$492
POB Principal					$0	$0	$0	$0	$50	$50	$50	$50
Project Interest	$287	$337	$383	$453	$508	$561	$588	$602	$599	$559	$575	$622
Project Principal	$431	$454	$469	$520	$424	$538	$565	$578	$588	$561	$588	$611

Project Principal; Project Interest; POB Principal; POB Interest

* Governor's Office of Management and Budget estimates.

G.O. debt service is paid from the General Obligation Bond Retirement and Interest Fund, which currently receives transfers from the Road Fund (for Transportation A/highways), the School Infrastructure Fund, and the General Revenue Fund. If the Illinois Jobs Now Fund is created, debt service payments would come from there as well, dependent also on whether the Governor's requested income tax and fee increases are passed.

In FY 2008, the Road Fund supported 21.5% of G.O. debt service, the School Infrastructure Fund 19.9% and the General Revenue Fund 58.6%. It is estimated that FY 2009 G.O. debt service would be supported 21.8% by the Road Fund, 19.2% by the School Infrastructure Fund, and 59% by the General Revenue Fund.

TABLE 7: GENERAL OBLIGATION DEBT SERVICE BY FUND

($ Millions)	FY 2007 Amount	FY 2007 % of Total	FY 2008 Amount	FY 2008 % of Total	FY 2009 Amount	FY 2009 % of Total
Road Fund	$253.7	21.5%	$254.8	21.5%	252.9	21.8%
School Infrastructure Fund	$232.9	19.7%	$235.9	19.9%	223.1	19.2%
General Revenue Fund	$693.0	58.7%	$695.6	58.6%	684.3	59.0%
SUBTOTAL	**$1,179.6**	**100.0%**	**$1,186.3**	**100.0%**	**$1,160.3**	**100.0%**
General Revenue Fund for POBs	$423.7	85.4%	$465.5	85.2%	$464.3	85.2%
Other Funds for POBs* (*per SERS' certification)	$72.5	14.6%	$80.7	14.8%	$80.7	14.8%
SUBTOTAL	**$496.2**	**100.0%**	**$546.2**	**100.0%**	**$545.0**	**100.0%**
GRAND TOTAL	**$1,675.8**		**$1,732.5**		**$1,705.3**	

FY 2009 POB Debt Service is a CGFA estimate.

Public Act 93-0839 requires SERS to collect a portion of POB debt service from funds used for employer contributions. SERS receives State pension contributions from various funds, including the GRF. The change in P.A. 93-0839 occurred so that GRF would not have to pay all of the interest on bonds which funded systems that are also supported by other State funds. A total of $117.5 million was collected in FY 2005 for FY 2005 and FY 2004 debt service. FY 2004 amounts were to "repay" the General Revenue Fund for the systems' portion of FY 2004 interest on POBs, even though this interest was capitalized (paid from the bond proceeds). FY 2006 payments from SERS funds for POB debt service equaled $78.3 million, FY 2007 payments equaled $72.5 million, and FY 2008 equaled $ 80.7 million.

FY 2008 was the first year that a principal payment, $50 million, was made on the 2003 Pension Obligation Bonds. Debt service will ramp up from the $500 million annually in early years to over $1 billion annually the last five years of payment. The 2003 POB debt service schedule is on the following page.

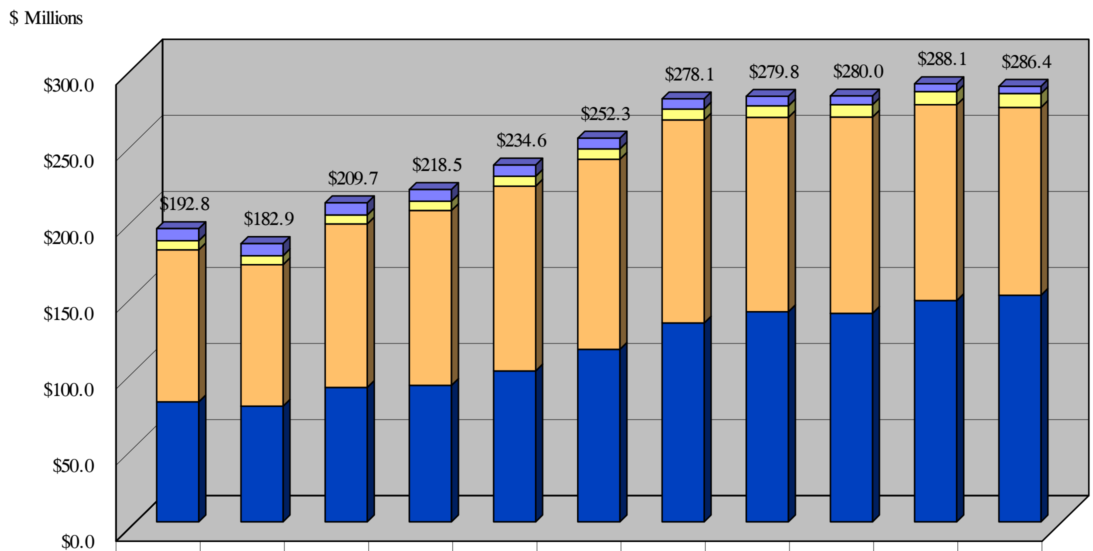
TABLE 8: 2003 PENSION OBLIGATION BONDS DEBT SERVICE SCHEDULE			
FY ending June 30	**Principal**	**Interest**	**Total FY Debt Service**
2004	$0	$481,038,333	$481,038,333
2005	0	496,200,000	496,200,000
2006	0	496,200,000	496,200,000
2007	0	496,200,000	496,200,000
2008	50,000,000	496,200,000	546,200,000
2009	50,000,000	494,950,000	544,950,000
2010	50,000,000	493,550,000	543,550,000
2011	50,000,000	491,900,000	541,900,000
2012	100,000,000	490,125,000	590,125,000
2013	100,000,000	486,375,000	586,375,000
2014	100,000,000	482,525,000	582,525,000
2015	100,000,000	478,575,000	578,575,000
2016	100,000,000	474,525,000	574,525,000
2017	125,000,000	470,175,000	595,175,000
2018	150,000,000	464,737,500	614,737,500
2019	175,000,000	458,212,500	633,212,500
2020	225,000,000	449,550,000	674,550,000
2021	275,000,000	438,412,500	713,412,500
2022	325,000,000	424,800,000	749,800,000
2023	375,000,000	408,712,500	783,712,500
2024	450,000,000	390,150,000	840,150,000
2025	525,000,000	367,200,000	892,200,000
2026	575,000,000	340,425,000	915,425,000
2027	625,000,000	311,100,000	936,100,000
2028	700,000,000	279,225,000	979,225,000
2029	775,000,000	243,525,000	1,018,525,000
2030	875,000,000	204,000,000	1,079,000,000
2031	975,000,000	159,375,000	1,134,375,000
2032	1,050,000,000	109,650,000	1,159,650,000
2033	1,100,000,000	56,100,000	1,156,100,000
TOTAL	**$10,000,000,000**	**$11,933,713,333**	**$21,933,713,333**

State-Issued Revenue Debt Service

Chart 8 shows debt service for Build Illinois and Civic Center bonds, which are called State-issued Revenue bonds. Debt service has hovered around $280 million since FY 2007, and will remain under $290 million through FY 2011.

Chart 10

STATE-ISSUED REVENUE DEBT SERVICE
Principal and Interest



	2001	2002	2003	2004	2005	2006	2007	2008	2009*	2010*	2011*
CC Interest	$7.9	$7.9	$8.0	$7.7	$7.4	$7.1	$6.7	$6.2	$5.8	$5.3	$4.8
CC Principal	$6.0	$5.9	$5.9	$6.2	$6.5	$6.8	$7.2	$7.6	$8.1	$8.6	$9.1
BI Interest	$100.0	$93.1	$107.5	$115.0	$121.5	$125.0	$133.5	$127.8	$129.0	$128.7	$123.5
BI Principal	$78.9	$76.0	$88.4	$89.7	$99.2	$113.4	$130.7	$138.1	$137.1	$145.5	$149.0

BI Principal, BI Interest, CC Principal, CC Interest

Source: Governor's Office of Management and Budget

FY 2005 and FY 2006 both had over $200 million in bond issuances. There were no Build Illinois bonds sold in FY 2007 and $50 million sold in FY 2008. GOMB expects to sell approximately $100 million of Build Illinois bonds in FY 2009 for reappropriations. Fiscal Year 2009 debt service for Build Illinois bonds is expected to be $266 million, with FY 2010 and FY 2011 increasing to the $274 million range.

Debt service for Civic Center bonds will be approximately $13.8 million annually from FY 2009 through FY 2011. Civic Center bonds will be paid off in FY 2021.

Recent Illinois Ratings History

History: On May 13, 2003, Moody's lowered the State of Illinois' general obligation rating from Aa2 to Aa3, after the sale of $1.5 billion in G.O. Certificates, the short-term borrowing plan to pay off overdue bills. On May 23, 2003, Fitch lowered Illinois' rating from AA+ to AA. Both agencies explained that in addition to the short-term borrowing plan, a combination of factors led to this change in status, including the increase by $10 billion of principal outstanding for the state's unfunded pension liability. Other factors involved were the second annual decline in State tax collections, an increase in the GAAP deficit recorded in the General Fund, budget uncertainty, and the increase of the State's debt ratios due to the issuance of the Pension Obligation Bonds. [Downgrades affect what is called State tax-supported debt. This includes General Obligation, Build Illinois, Civic Center, and McCormick Place Expansion Project bonds.]

In August of 2005, Standard & Poor's removed Illinois from their negative watch list and affirmed their AA rating as stable. In April 2006, Fitch reaffirmed its AA rating, but put the State on their negative watch list due to concerns over Illinois' unfunded pension liability.

For the G.O. bond sales in June of 2006, Moody's reaffirmed its Aa3 rating and stable outlook "based on broad governmental powers to raise revenues and lower spending, as well as a diversified economy returning to growth in line with national trends…Balanced against these strengths are credit challenges such as narrow reserve and liquidity levels, the use of non-recurring measures to address structural budget gaps, a sizeable accumulated pension fund deficit, and a growing debt burden".

In April 2008, Standard & Poor's reaffirmed its stable outlook on the AA rated bonds adding strengths of--ongoing budgetary adjustments, increased combined funds and budget stabilization fund cash reserves, reductions in accounts payable including lapse period spending, approved pension reform, and the ability through legislative action to access substantial amounts of cash for operations that are on deposit in other funds. S&P sees the challenges to the State as being the High GAAP general funds deficit, the large unfunded actuarial accrued liability for its five pensions, and a fairly high debt burden.

Moody's has stated that Illinois' large pension liability has been a concern, and that their Aa3 rating for the State is partly based on this liability. Challenges that the State faces include the debt burden that doubled with the 2003 Pension Obligation Bond debt issuance, the history of negative GAAP-basis general fund balances, and the current year budget shortfall. Other issues that could affect the State's rating downward include the late adoption of the State's FY 2008 budget and issues facing the FY 2009 budget, and "the state's still incomplete efforts to release a fiscal 2007 CAFR, 10 months after the end of the year, (which) indicates that delayed financial reporting also remains a concern".

In an April 2008 review of Illinois G.O. debt for the State's April $125 million issuance, Fitch reaffirmed its AA rating with a continued negative outlook. "The Negative Rating Outlook reflects continued financial challenges, including a current year revenue shortfall and balancing an upcoming budget pressured by the weakened national economic environment and continued significant growth in funding requirements to address the pension systems' large unfunded liabilities...Fitch will revisit the outlook and rating following decisions made in the 2009 budget and will assess the extent to which solutions address fiscal balance.

S&P gives the State's sales-tax backed Build Illinois bonds an AAA rating with a stable outlook which "reflects both the state's extremely strong legal protections against dilution of coverage by additional debt and strong sales tax revenue growth." Fitch gives Build Illinois bonds an AA rating while Moody's Aa3 is based on "the breadth and long-term growth of the state economy and sales tax base, very high debt service coverage provided by the pledged revenue stream, and the fact that sales-tax revenue in excess of the amount necessary to pay debt service comprises a large and essential component of state general fund revenues."

MAXIMUM RATING POSSIBLE
AAA or Aaa

GENERAL OBLIGATION BOND RATINGS						
RATING AGENCIES	**July 1997**	**June 1998**	**June 2000**	**May 2003**	**Dec 2008**	**Mar/Apr 2009**
Fitch Ratings	**AA**	**AA**	**AA+**	**AA**	**AA-**	**AA-**
Standard & Poor's	**AA**	**AA**	**AA**	**AA**	**AA**	**AA-**
Moody's Investor Service	**Aa3**	**Aa2**	**Aa2**	**Aa3**	**Aa3**	**A1**

Current: The State sold $1.4 billion in General Obligation Certificates **in December 2008. Fitch Ratings downgraded Illinois' G.O. bonds from an AA to an AA-** with a stable outlook, stating that "the rating downgrade reflects deterioration of the state's fiscal position and a continuing inability to achieve solutions...given the controversy and uncertainty surrounding the Governor's [Blagojevich] situation, as well as the inability last fiscal year, and so far this year, to achieve a consensus on corrective measures, it is unclear at this time how budgetary solutions will move forward and be implemented". [www.fitchratings.com, "Fitch Downgrades Illinois' GO Bonds to 'AA-'; Outlook Stable", December 15, 2008] **As of April 2009, Fitch gave Illinois a negative outlook** stating that although the "state's political situation has improved…its financial situation has continued to deteriorate as economically sensitive revenues – particularly income and sales taxes – have dramatically declined and a two year budget deficit of $11.6 billion is now projected…The negative watch will be resolved following the sale of the GO notes, the enactment of the budget, and an assessment of the extent to which the final budget addresses the funding imbalances."

In December 2008, Standard and Poor's put Illinois' G.O. bonds on its credit ratings watch list for a possible negative downgrade stating, "The CreditWatch placement reflects our opinion of the state's growing budgetary shortfall, now projected at $2.0 billion for the current fiscal year, and our concern that the legal charges now facing the governor and his chief of staff may challenge the state to respond to this fiscal situation on a timely basis." [www.ratingsdirect.com, S&PCORRECTED: "Illinois' GO Rating Placed On CreditWatch Negative", December 11, 2008]. **In March 2009, S&P did lower the State's rating to AA-**, due to the "State's limited action to date to address what we view as a sizable budget gap for fiscal 2009", which has "weakened liquidity and contributed to substantial payment delays...[T]he State has historically maintained minimal financial reserves that we believe limit flexibility; it also has very high unfunded pension liabilities that will likely create added budget pressure in the next several years". **At this time, S&P also put the December 2008 G.O. Certificates, which have an SP-1+ rating, on negative watch** due to concerns over the State's liquidity. [www.ratingsdirect.com].

Moody's gave the State's December 2008 G.O. Certificates a MIG 2 rating, lower than the MIG 1 ratings given to the G.O. Certificates of April 2008 and September 2007. The lower rating was given due to the State's stressed liquidity, increases in accounts payable, and the State's current fiscal year deficit. **Moody's downgraded the State from Aa3 to A1 in April 2009**, citing the state's plan to use deficit borrowing across fiscal years, which they say is a clear indication of fiscal stress, along with other strains on the state's finances. They will be watching the State's plans for pension funding and whether pension fund payments will be deferred to help cover the State's deficit.

Debt Comparisons: Illinois v. Other States

Table 9 shows Illinois' ranking in comparison with the top ten states for the most net tax-supported debt per capita as reported in Moody's *State Debt Medians* reports of 2003 through 2008. The 2002 column shows the State's pre-Pension Obligation Bond debt per capita at $1,040 reflecting the 11th highest state in the nation. In 2004 the per capita debt outstanding rose across the nation with the national average at $999; and in 2005 the national average rose to $1,060. After the sale of the 2003 Pension Obligation bonds Illinois moved up to be the 6th highest state in debt per capita, where we stayed from 2003 through 2005. Illinois dropped down to 7th place in 2006 with debt per capita at $1,976, and remains at 7th for FY 2007 with a debt per capita of $1,985.

TABLE 9:	NET TAX-SUPPORTED DEBT PER CAPITA					
	2002 (pre POB sale)		2005		2007	
RANK	STATE	PER CAPITA DEBT OUTSTANDING	STATE	PER CAPITA DEBT OUTSTANDING	STATE	PER CAPITA DEBT OUTSTANDING
1	Connecticut	$3,440	Massachusetts	$4,128	Massachusetts	$4,529
2	Massachusetts	$3,298	Hawaii	$3,905	Connecticut	$3,698
3	Hawaii	$3,111	Connecticut	$3,624	Hawaii	$3,663
4	New Jersey	$2,110	New Jersey	$3,276	New Jersey	$3,478
5	New York	$2,095	New York	$2,569	New York	$2,762
6	Delaware	$1,599	**Illinois**	**$2,026**	Delaware	$2,002
7	Rhode Island	$1,508	Delaware	$1,845	**Illinois**	$1,985
8	Washington	$1,507	Washington	$1,684	Washington	$1,908
9	Mississippi	$1,207	California	$1,597	Rhode Island	$1,766
10	Kentucky	$1,095	Wisconsin	$1,437	California	$1,685
11	**Illinois**	**$1,040**				
RANGE	$3,440 to $38 (Nebraska)		$4,128 to $27 (Nebraska)		$4,529 to $22 (Nebraska)	

SOURCE: Moody's State Debt Medians reports from 2003 through 2008.
This table uses a measure done by Moody's rating agency.

Table 10 lists the ten states that have the highest net tax supported debt in the U.S. In 2002 (pre-Pension Obligation Bonds), Illinois was ranked 6th highest in net tax supported debt with $13.1 billion, an estimated 5% of the nation's $261 billion total. In 2004 (not shown here), the national total was $340 billion, and Illinois was ranked 3rd with $25.7 billion in net tax-supported debt, making up approximately 7.5% of the nation's total. In 2005, Illinois' debt increased by approximately $200 million to $25.9 billion and dropped to the 5th highest state with 7.2% of the nation's $360 billion total. In 2006 and 2007, Illinois net tax supported debt was 6.7% and 6.4% respectively, placing it as the 5th highest state in the nation in net tax-supported debt.

TABLE 10:	10 HIGHEST STATES IN NET TAX-SUPPORTED DEBT in billions								
	2002 National Total = $261			2005 National Total = $360			2007 National Total = $398		
	2002 (pre POB sale)			2005			2007		
RANK	STATE	DEBT	% OF NATION	STATE	DEBT	% OF NATION	STATE	DEBT	% OF NATION
1	New York	$40.1	15.4%	California	$57.7	16.0%	California	$61.6	15.5%
2	California	$28.4	10.9%	New York	$49.5	13.7%	New York	$53.3	13.4%
3	Massachusetts	$21.2	8.1%	New Jersey	$28.6	7.9%	New Jersey	$30.2	7.6%
4	New Jersey	$18.1	6.9%	Massachusetts	$26.4	7.3%	Massachusetts	$29.2	7.3%
5	Florida	$16.5	6.3%	**Illinois**	**$25.9**	**7.2%**	**Illinois**	**$25.5**	6.4%
6	**Illinois**	**$13.1**	**5.0%**	Florida	$17.4	4.8%	Florida	$18.3	4.6%
7	Connecticut	$11.9	4.6%	Connecticut	$12.7	3.5%	Connecticut	$13.0	3.3%
8	Washington	$9.1	3.5%	Washington	$10.6	2.9%	Washington	$12.3	3.1%
9	Ohio	$8.6	3.3%	Ohio	$10.5	2.9%	Texas	$11.5	2.9%
10	Pennsylvania	$8.5	3.3%	Pennsylvania	$9.5	2.6%	Ohio	$11.1	2.8%
RANGE	$40 billion to $61 million			$58 billion to $48 million			$59 billion to $40 million		

SOURCE: Moody's State Debt Medians reports from 2003 through 2007.
This table uses a measure done by Moody's rating agency.

Moody's has stated that since state and local governments are dealing with serious fiscal challenges of declining revenues, strained liquidity and difficulty accessing the bond market, that they are facing the worst challenges seen in decades. "The duration and severity of the economic downturn is the primary uncertainty facing state and local governments…In the worst case scenario, deeper rating downgrades could occur, and they have the potential to be swift, particularly if prompted by a combined lack of liquidity and market access." They will be watching states that have a lot of variable-rate and auction-rate debt, and who use short-term cash-flow borrowing for operations because they are particularly more vulnerable to market turmoil. With limits to traditionally methods of enhancing a bond sale, bond insurance and bank credit letters, it is more difficult for lower rated municipalities to get buyers or even market access. [Moody's, "Credit Uncertainties: Public Sector 2009", January 2009]

California has seen the most fluctuations in ratings over the past 9 years, from multiple downgrades in 2003, to multiple upgrades from 2004 to 2006. Even so, they have not recovered their 2000 levels of AA, AA and Aa2. This Spring, California was downgraded by all three rating agencies to single A from both S&P and Fitch, and A2 from Moody's. California, currently has the lowest ratings of any State, and the recent downgrades cost them an extra $213 million on there recent $6.54 billion bond sale.

In late April 2009, Moody's put Florida on watch for a possible downgrade citing the State's drop in revenues due to the real estate market and recession.

When Illinois was downgraded by Moody's to A1 in April, that put the State on par with Louisiana, with only California being rated lower by Moody's. Louisiana's ratings from S&P and Fitch are both A+.

The current ratings for the states listed in Table 11 are shown in the chart below.

CHART 11

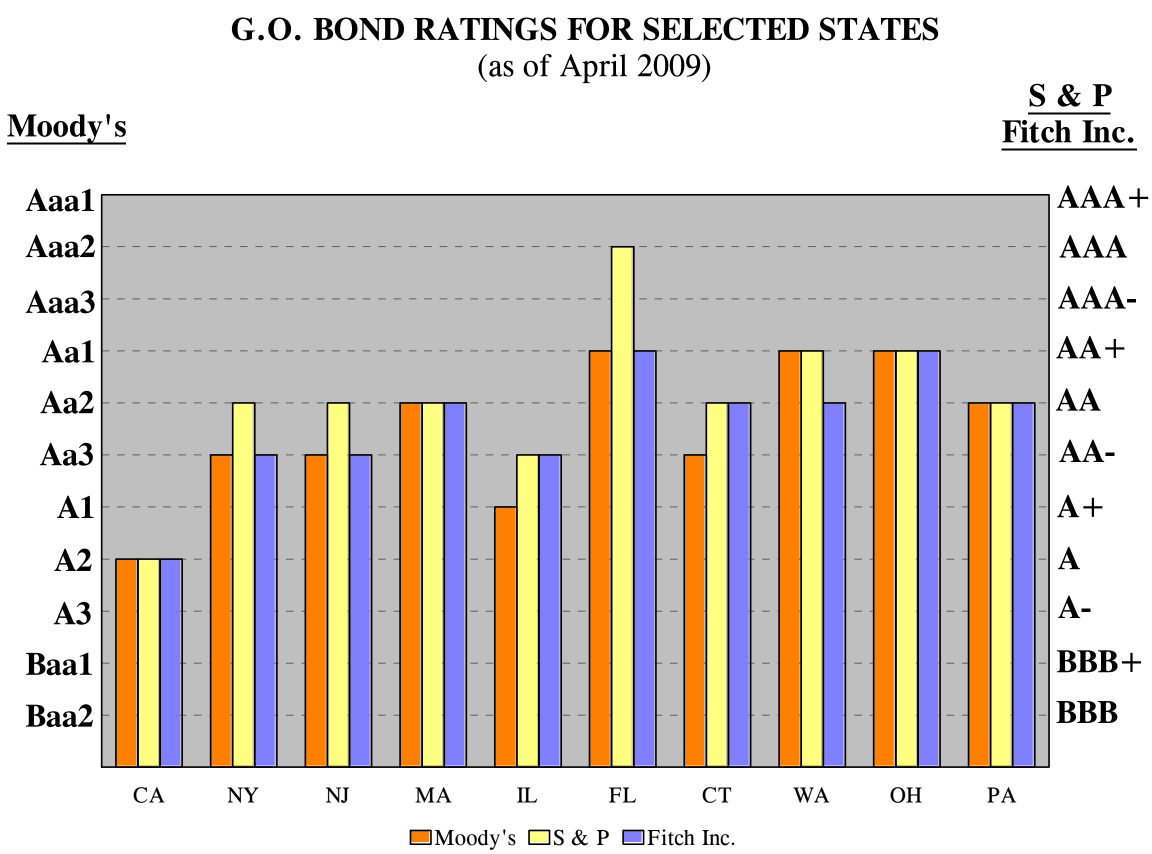
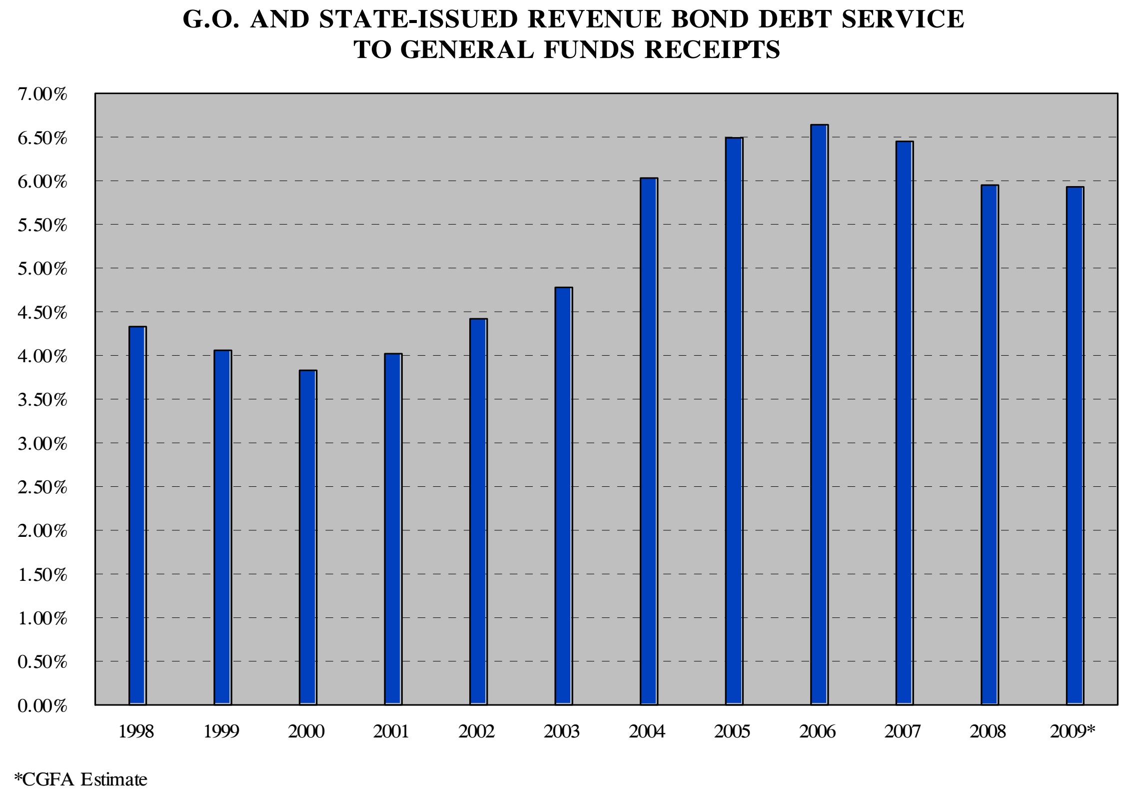


Chart 12 shows a history of general obligation and State-issued revenue debt service as a percentage of general funds receipts.

CHART 12



Appendix: Costs of Issuance for FY 2008 and FY 2009 Bond Sales

State of Illinois - Build Illinois Bonds
$50,000,000 Series of July 2007
Cost of Issuance Disclosure

Service	Entity	Status	Participation Percentage	Amount	Total
Underwriting Syndicate	J. P. Morgan Securities, Inc.		100.0%	140,529.68	
	Other Syndicate Members		0.0%	-	
	Other MBE/WBE		0.0%	-	140,529.68
Bond Counsel	Katten Muchin Rosenman LLP		100.0%	17,570.32	
	MBE Counsel		0.0%	-	17,570.32
Financial Advisors	Scott Balice Strategies, LLC			10,000.00	
	Ron Picur			12,000.00	22,000.00
Market Pricing Advisor	Delphis Hanover			2,500.00	2,500.00
Rating Agencies	Fitch			13,000.00	
	Moody's			20,000.00	
	Standard & Poor's			10,000.00	43,000.00
Printing & Shipping	ImageMaster			2,937.82	
	DAC			2,500.00	5,437.82
Total Expenses (Excluding Bond Insurance)					**231,037.82**
	Maximum Allowable Expenses (Par Amount X 0.5%)			**250,000.00**	
Bond Insurance	None			-	
Total Expenses (Including Bond Insurance)					**231,037.82**
MBE/WBE Firm Subtotals	Underwriting	MBE/WBE	0.0%		
	Legal	MBE/WBE	0.0%		
	Financial Advisory	MBE/WBE	0.0%		

State of Illinois - General Obligation Bonds
$125,000,000 Series of April 2008
Cost of Issuance Disclosure

Line Item		Status	Participation Percentage	Amount	Total
Underwriting Syndicate	Citigroup Global Markets		0.00%	478,900.00	
			0.00%	-	478,900.00
Underwriting Expenses	Bond Market Association Fee			N/A	
	GASB Fee			N/A	
	Dalcomp per bond Fee			N/A	
	Dalcomp Wire Charges			N/A	
	Depository Trust Company Fee			N/A	
	CUSIP			N/A	
	Day Loan on Gross Proceeds			N/A	
	Total as Component of Sucessful Purchaser's Bid			-	-
	Subtotal Underwriting Expenses			0.38312000%	478,900.00
		Base Fee	Expenses	Total	
Bond Counsel	Barnes & Thornburg LLP	25,000.00	2,000.00	27,000.00	
					27,000.00
Financial Advisor	D.A. Davidson	25,000.00	-	25,000.00	
Budget & Cashflow advisor	Ronald D. Picur, PhD.	15,000.00	-	16,000.00	
Market Pricing Advisor	Delphis Hanover Corporation	6,000.00	-	6,000.00	47,000.00
Rating Agencies	Moody's Investor Services	27,500.00	-	27,500.00	
	Standard and Poor's	20,000.00	-	20,000.00	
	Fitch Ratings		-	15,000.00	62,500.00
Printing & shipping	ImageMaster Printing & Delivery	3,123.36	-	3,123.36	
	Thomson Financial	1,800.00	-	1,800.00	
	Digital Assurance Certification, LLP	2,500.00	-	2,500.00	7,423.36
	Stub Total				-
	Remainder to be deposited in Project Funds by the State Treasurer			2,176.64	2,176.64
	Subtotal Expenses (Excluding Underwriting Fees)				146,100.00
	Total Expenses (Excluding Bond Insurance)				**625,000.00**
	Maximum Allowable Expenses (Par amount x 0.5%)				625,000.00
Bond Insurance	NONE			-	-
	Total Expenses (Including Bond Insurance)				**625,000.00**
MBE/WBE FIRM SUBTOTALS	Underwriting	MBE/WBE	0.00%	-	
	Legal	MBE	0.00%	-	
	Financial Advisory	WBE	0.00%	-	-

State of Illinois - General Obligation Bonds
$150,000,000 Series of April 2009
Cost of Issuance Disclosure

Line Item		Status	Participation Percentage	Amount	Total
Underwriting Syndicate			0.00%	403,250.00	
			0.00%	-	403,250.00
Underwriting Expenses	Bond Market Association Fee			N/A	
	GASB Fee			N/A	
	Dalcomp per bond Fee			N/A	
	Dalcomp Wire Charges			N/A	
	Depository Trust Company Fee			N/A	
	CUSIP			N/A	
	Day Loan on Gross Proceeds			N/A	
	Total as Component of Sucessful Purchaser's Bid			-	-
	Subtotal Underwriting Expenses			0.27%	403,250.00
		Base Fee	Expenses	Total	
Bond Counsel	Barnes & Thornburg LLP	30,000.00	5,000.00	35,000.00	35,000.00
Financial Advisor	D.A. Davidson	20,000.00	-	20,000.00	
Budget & Cashflow advisor	Ronald D. Picur, PhD.	15,000.00	-	15,000.00	
Market Pricing Advisor	Delphis Hanover Corporation	6,900.00	-	6,900.00	41,900.00
Rating Agencies	Moody's Investor Services	28,900.00	-	28,900.00	
	Standard and Poor's	25,000.00	-	25,000.00	
	Fitch Ratings	24,000.00	-	24,000.00	77,900.00
Printing, shipping & advertising	ImageMaster Printing & Delivery	4,706.31	-	4,706.31	
	Thomson Financial	1,800.00	-	1,800.00	
	State Journal Register	242.52		242.52	
Dissemination Agent	Digital Assurance Certification, LLP	2,500.00	-	2,500.00	9,248.83
	Sub total			164,048.83	
	Remainder to be deposited in Project Funds by the State Treasurer			14,251.17	14,251.17
	Subtotal Expenses (Excluding Underwriting Fees)			0.12%	178,300.00
	Total Expense (Excluding Bond Insurance)			0.39%	**581,550.00**
	Maximum Allowable Expenses (Par amount x 0.5% or $5 per $1,000)			0.50%	750,000.00
Bond Insurance	Assured Guarantee Corporation			257,700.00	257,700.00
	Total Expenses (Including Bond Insurance)				**839,250.00**
MBE/WBE FIRM SUBTOTALS	Underwriting	MBE/WBE	0.00%	-	
	Legal	MBE/WBE	0.00%	-	
	Financial Advisory	MBE/WBE	0.00%	-	-

BACKGROUND

The Commission on Government Forecasting and Accountability (CGFA), a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

1) Preparation of annual revenue estimates with periodic updates;
2) Analysis of the fiscal impact of revenue bills;
3) Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization;
4) Periodic assessment of capital facility plans;
5) Annual estimates of public pension funding requirements and preparation of pension impact notes;
6) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services;
7) Administration of the State Facility Closure Act.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes several reports each year. In addition to a Monthly Briefing, the Commission publishes the "Revenue Estimate and Economic Outlook" which describes and projects economic conditions and their impact on State revenues. The "Bonded Indebtedness Report" examines the State's debt position as well as other issues directly related to conditions in the financial markets. The "Financial Conditions of the Illinois Public Retirement Systems" provides an overview of the funding condition of the State's retirement systems. Also published are an Annual Fiscal Year Budget Summary; Report on the Liabilities of the State Employees' Group Insurance Program; and Report of the Cost and Savings of the State Employees' Early Retirement Incentive Program. The Commission also publishes each year special topic reports that have or could have an impact on the economic well being of Illinois. All reports are available on the Commission's website.

These reports are available from:

Commission on Government Forecasting and Accountability
703 Stratton Office Building
Springfield, Illinois 62706
(217) 782-5320
(217) 782-3513 (FAX)

http://www.ilga.gov/commission/cgfa2006/home.aspx