"FY 2011 Capital Plan"

AN IN DEPTH ANALYSIS OF THE ILLINOIS CAPITAL PLAN

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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 and to prepare a consolidated review of the debt of State bonding authorities, and a review of the State's debt and ability to further market bonds. (25 ILCS 155/3).

The Capital Plan Analysis is divided into four sections. The first section of the report uses the Governor's capital expenditure plan, which lists projects to be funded from the FY 2011 appropriation request. This analysis is based on what is contained in the capital component of the 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.

The second section discusses current bond-related topics and legislation that affects either the State's debt or the debt of one of the bonding authorities. It 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 looks at how the Governor's FY 2011 recommended capital plan would affect the State's bonded indebtedness. Illinois issues several forms of formal long-term debt. State Supported bonds include the State's general obligation bonds, State-issued revenue bonds, and locally-issued revenue bonds that are repaid or secured by the State. This section includes authorization available, the level of outstanding debt, future debt issuance, and annual debt service. Although the FY 2003 Pension Obligation Bonds and the FY 2010 Pension Notes are not a part of the Capital Budget, they will be noted throughout the report due to their impact on the State's debt.

The final section of the report concerns Non-State Supported debt, which consists of those bonds which are issued by State universities and authorities created by the State, but for which the State is said to have only a moral obligation or no obligation to repay.

Information for this report was provided by the Governor's Office of Management and Budget, the Office of the Comptroller, bonding authorities and State universities.

EXECUTIVE SUMMARY

- The FY 2011 capital budget request includes new appropriations of $4.3 billion, an expansion of the Illinois Jobs Now program, while $26.2 billion will be reappropriated for projects under the Illinois Jobs Now program that were approved last fiscal year.

- Bond authorization increases:
    - General Obligation bond authorization $5.808 billion for new projects;
    - General Obligation by $250 million for Medicaid Enhancement Funding;
    - Pension Obligation five-year notes for $3.466 billion;
    - General Obligation Refunding by $2 billion; and
    - Build Illinois authorization was increased by $810 million.

- Through March FY 2010, the State has sold $1.4 billion in G.O. bonds, $480 million of Build Illinois Bonds, and $3.4 billion of Pension Notes. Approximately $1.5 billion in G.O. bonds have also been refunded. In April, the Governor's Office of Management and Budget plans to sell approximately $1 billion in G.O. bonds for school construction and transportation projects and $246 million of G.O. bonds for Medicaid provider bills.

- Currently Illinois is on a negative watch at all three rating agencies. With the unveiling of Illinois' budget deficit, and three bond sales totaling $1.3 billion set for April, the rating agencies are watching the State very carefully to decide on whether to further downgrade the G.O. bond ratings:

  FITCH—*"The negative watch …will be resolved after an assessment of the extent to which the state addresses its funding imbalances in the context of the legislative session that begins in February…"*

  S&P—*"The absence of recurring solutions in the next year to deal with the current budget challenges and begin to stabilize liquidity will likely result in a further downgrade of Illinois…"*

  MOODY'S—*"Failure to enact corrective fiscal measures in coming months will exacerbate the state's structural gap going into fiscal 2011 and place downward pressure on the state's ratings."*

- Among the States, Illinois has the second lowest rating from all three ratings agencies as of the beginning of March 2010.

TABLE 16: LOWEST G.O. RATINGS

	Moody's	S&P	Fitch
California	Baa1	A-	A-
Illinois	**A2**	**A+**	**A+**
Louisiana	A1	AA-	AA
Arizona	A1	AA-	
Michigan	Aa3	AA-	AA-

TABLE 1:	ILLINOIS BONDS AT A GLANCE (in millions)						
Bond Sales	**FY 2009**	**FY 2010* estimated**	**$ Change**	**% Change**	**FY 2011 estimated**	**$ Change**	**% Change**
General Obligation	150.0	6,172.0	6,022.0	4014.7%	3,650.0	-2,522.0	-40.9%
Revenue	0.0	530.0	530.0	100.0%	250.0	-280.0	-52.8%
Total	**$150.0**	**$6,702.0**	**$6,552.0**	**4368.0%**	**$3,900.0**	**-$2,802.0**	**-41.8%**
Outstanding Principal							
General Obligation	18,951.8	24,210.0	5,258.2	27.7%	26,744.0	2,534.0	10.5%
Revenue	2,063.7	2,443.6	379.9	18.4%	2,519.7	76.1	3.1%
Total	**$21,015.5**	**$26,653.6**	**$5,638.1**	**26.8%**	**$29,263.7**	**$2,610.1**	**9.8%**
Debt Service							
General Obligation	1,705.3	$1,676.9	-28.4	-1.7%	$2,646.0	969.1	57.8%
Revenue	279.1	$288.5	9.4	3.4%	$316.9	28.4	9.8%
Total	**$1,984.4**	**$1,965.4**	**-$19.0**	**-1.0%**	**$2,962.9**	**$997.5**	**50.8%**
General Revenues**	**$32,120.0**	**$30,646.0**	**-$1,474.0**	**-4.6%**	**$26,833.0**	**-$3,813.0**	**-12.4%**
G.O. & Revenue Debt Service as % General Revenues	**6.18%**	**6.41%**			**11.04%**		
GO Bond Rating							
Moody's	A1	A2					
Standard & Poor's	AA-	A+					
Fitch	A	A					

* FY 2010 G.O. bond sales include $250 million for Medicaid Enhancement Funding.
** General Revenues shown for FY 2010 and FY 2011 are estimates of the Commission as of March 16, 2010.
Note: Bond Sales do not include refunding sales or Short-term borrowing.
Sources: Governor's Office of Management and Budget

The State has sold $1.4 billion in G.O. bonds, $480 million of Build Illinois Bonds, and $3.4 billion of Pension Notes since the beginning of FY 2010. Approximately $1.5 billion in G.O. bonds have also been refunded. The Governor's Office of Management and Budget has sold $356 million in G.O. bonds for school construction and will sell another $700 million for transportation projects in April 2010. The State sold $246 million of short-term G.O. bonds for Medicaid provider bills in April 2010.

The current General Obligation bond authorization for new projects is $22.770 billion, with approximately $6.23 billion remaining unissued as of March 31, 2010. Total Build Illinois bond authorization equals $4.616 billion with $702 million remaining unissued as of March 31, 2010.

FY 2011 RECOMMENDED CAPITAL BUDGET

- Expansion of the Illinois Jobs Now! Capital Program
- FY 2011 Capital Plan Appropriations
- Appropriations History
- Review of the FY 2010 Capital Plan
- FY 2011 Capital Projects by Agency

Expansion of the Illinois Jobs Now! Capital Program

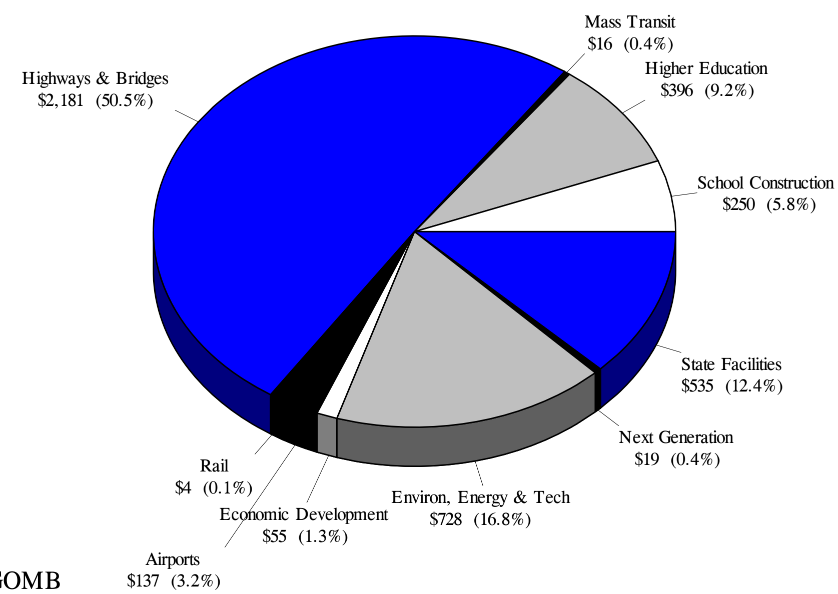
This section of the report is based on the Governor's FY 2011 capital expenditure plan. The proposal would require $4.3 billion in new appropriations considered an expansion of the Illinois Jobs Now program.

CHART 1

FY 2011 $4.3 Billion Capital Program

Illinois Jobs Now program extension

(in millions)



Source: GOMB

The Governor's proposal includes nearly $2.2 billion for highways and bridges paid for from approximately $1.5 billion in Road Funds, $453 million from the State Construction Account Fund, and $43 million from other transportation-related funds. 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). Finally, the remainder of transportation funding would come from $142 million of Transportation A bond proceeds.

The Capital Program also includes $250 million for a School Consolidation Initiative paid from the Capital Development Fund. Funding for higher education would include $268 million for public universities and $128 million for community colleges paid by Capital Development Bond funds.

Approximately $728 million would pay for environmental, energy and technology projects, $55 million for economic development, $19 million for "Next Generation" projects, and $535 million for State facilities.

Below is the Office of Management and Budget's five year General Obligation Bond expenditure plan for FY 2011 appropriations [FY 2011 Capital Budget Appendix C].

Fiscal Year 2011 General Obligation Bonds Capital Expenditure Plan
($ thousands)

Fund Name	FY11 Appropriations	Spending from FY11 Appropriations				
		FY11	FY12	FY13	FY14	FY15
Capital Development						
Prior Appropriations	985,165	54,184	54,184	98,516	118,220	118,220
Illinois Jobs Now!	2,390,722	336,700	331,545	329,736	315,260	257,612
New Appropriations	1,317,592	170,935	164,271	121,748	116,520	124,168
Total Capital Development	**4,693,479**	**561,819**	**550,000**	**550,000**	**550,000**	**500,000**
School Construction						
Prior Appropriations	31,886	12,117	6,696	4,783	4,464	3,826
Illinois Jobs Now!	1,515,000	250,000	343,304	395,217	345,536	180,943
New Appropriations	-	-	-	-	-	-
Total School Construction	**1,546,886**	**262,117**	**350,000**	**400,000**	**350,000**	**184,769**
Anti-Pollution						
Prior Appropriations	13,252	2,902	-	-	-	-
Illinois Jobs Now!	170,400	30,000	33,698	25,000	25,000	20,400
New Appropriations	29,400	18,098	11,302	-	-	-
Total Anti-Pollution	**213,052**	**51,000**	**45,000**	**25,000**	**25,000**	**20,400**
Transportation Series A						
Prior Appropriations	789	789	-	-	-	-
Illinois Jobs Now!	1,273,304	1,183,500	89,804	-	-	-
New Appropriations	141,500	26,296	60,000	55,204		
Total Transportation Series A	**1,415,593**	**1,210,585**	**149,804**	**55,204**	**-**	**-**
Transportation Series B						
Prior Appropriations	80,335	10,443	12,050	21,690	16,067	8,033
Illinois Jobs Now!	3,960,500	701,815	561,676	388,425	350,622	108,787
New Appropriations	-					
Total Transportation Series B	**4,040,835**	**712,258**	**573,726**	**410,115**	**366,689**	**116,820**
Transportation Series D						
Prior Appropriations	-	-	-	-	-	-
Illinois Jobs Now!	3,356,002	832,878	640,000	572,000	550,000	500,000
New Appropriations	-	-	-	-	-	-
Total Transportation Series D	**3,356,002**	**832,878**	**640,000**	**572,000**	**550,000**	**500,000**
Coal Development						
Prior Appropriations	69,885	13,977	9,784	13,977	17,471	10,483
Illinois Jobs Now!	6,000	3,000	3,000	-	-	-
New Appropriations	-	-	-	-	-	-
Total Coal Development	**75,885**	**16,977**	**12,784**	**13,977**	**17,471**	**10,483**
All Funds						
Prior Appropriations	1,181,312	94,413	82,714	138,967	156,222	140,562
Illinois Jobs Now!	12,671,928	3,337,893	2,003,027	1,710,378	1,586,418	1,067,741
New Appropriations	1,488,492	215,328	235,573	176,952	116,520	124,168
Total All Funds	**15,341,731**	**3,647,634**	**2,321,314**	**2,026,296**	**1,859,160**	**1,332,472**

FY 2011 Capital Plan Appropriations

The FY 2011 capital budget request includes new appropriations of $4.3 billion, an expansion of the Illinois Jobs Now program, while $26.2 billion will be reappropriated for projects under the Illinois Jobs Now program that were approved last fiscal year.

TABLE 2: FY 2011 CAPITAL PLAN REQUESTED APPROPRIATIONS ($ in Billions)			
FUND TYPE	NEW APPROPRIATIONS	RE-APPROPRIATIONS	TOTAL
Bond	$1,628,591,700	$16,779,096,381	**$18,407,688,081**
State Revenue Funds	$2,531,242,700	$8,152,952,804	**$10,684,195,504**
Federal/Trust	$160,725,000	$1,218,538,467	**$1,379,263,467**
TOTAL	**$4,320,559,400**	**$26,150,587,652**	**$30,471,147,052**

FY 2010 CAPITAL PLAN APPROPRIATIONS ($ in Billions)			
FUND TYPE	NEW APPROPRIATIONS	RE-APPROPRIATIONS	TOTAL
Bond	$13,515,963,136	$3,575,615,893	**$17,091,579,029**
State Revenue Funds	$2,255,335,325	$7,450,261,893	**$9,705,597,218**
Federal/Trust	$160,625,000	$644,125,145	**$804,750,145**
TOTAL	**$15,931,923,461**	**$11,670,002,931**	**$27,601,926,392**

The budget request for appropriations to the Capital Development Board (CDB) and through CDB for other agencies for capital projects includes new appropriations of $1.15 billion all of which would come from the Capital Development Fund. Reappropriations for CDB would total $4.7 billion, mainly from the Capital Development Fund and the School Construction Fund. The remainder of the Governor's request of new appropriations would be appropriated to specific agencies.

TABLE 3: FY 2011 CDB REQUESTED APPROPRIATIONS ($ in Millions)			
FUND TYPE	NEW APPROPRIATIONS	RE-APPROPRIATIONS	TOTAL
Capital Development	$1,150,291,700	$2,766,503,313	**$3,916,795,013**
School Construction	$0	$1,446,886,018	**$1,446,886,018**
Build Illinois	$0	$486,945,055	**$486,945,055**
Asbestos Abatement	$0	$797,238	**$797,238**
TOTAL	**$1,150,291,700**	**$4,701,131,624**	**$5,851,423,324**

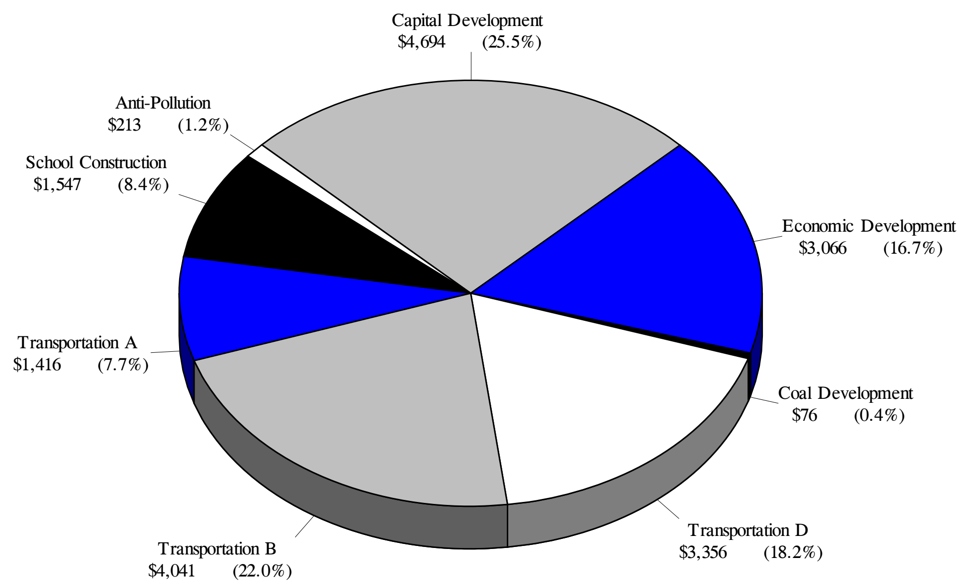
Chart 2 shows FY 2011 bond appropriations by percentage of bond fund, including Build Illinois categorized as economic development. Chart 3 compares new appropriations versus reappropriations.

CHART 2

FY 2011 G.O. Appropriations

By Bond Fund ($ Millions)

Total: $18.4 Billion = 100%

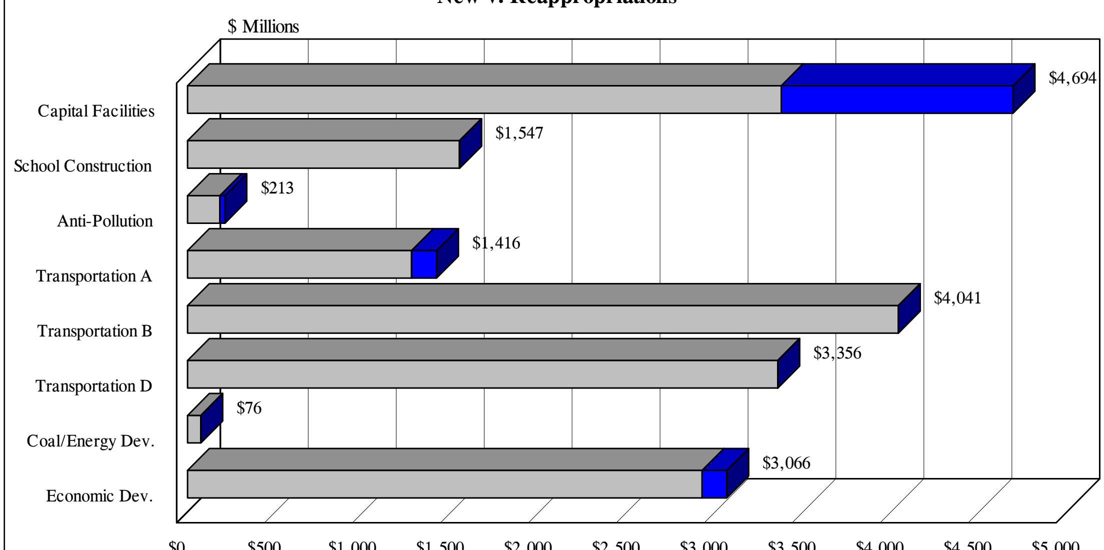


Source: GOMB
Includes New and Reappropriations

CHART 3

FY 2011 G.O. Appropriations

New v. Reappropriations



	Capital Facilities	School Construction	Anti-Pollution	Transportation A	Transportation B	Transportation D	Coal/Energy Dev.	Economic Dev.
Re-appropriations	$3,376	$1,547	$184	$1,274	$4,041	$3,356	$76	$2,926
New Appropriations	$1,318	$0	$29	$142	$0	$0	$0	$140

Re-appropriations
New Appropriations

Source: GOMB

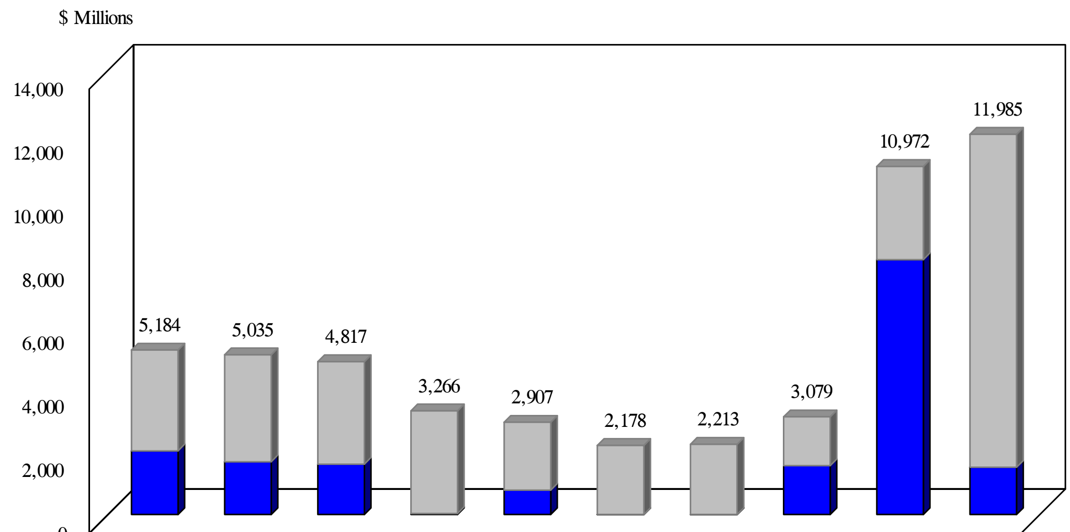
Appropriations History

The annual General Obligation appropriations from FY 2002 to the recommended FY 2011 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 having no new appropriations.

With the Illinois Jobs Now program, G.O. new appropriations for FY 2010 were $8 billion and FY 2011 new appropriations are requested to be under $1.5 billion. New appropriations from FY 2010 for which the bonds have not been sold and the expenditures not made, show up as reappropriations in FY 2011.

CHART 4

10-Year History of G.O. Bond Appropriations



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011*
Reappropriations	3,179	3,370	3,230	3,232	2,138	2,178	2,213	1,539	2,940	10,497
New Appropriations	2,005	1,665	1,587	34	769	0	0	1,540	8,032	1,488

New Appropriations   Reappropriations

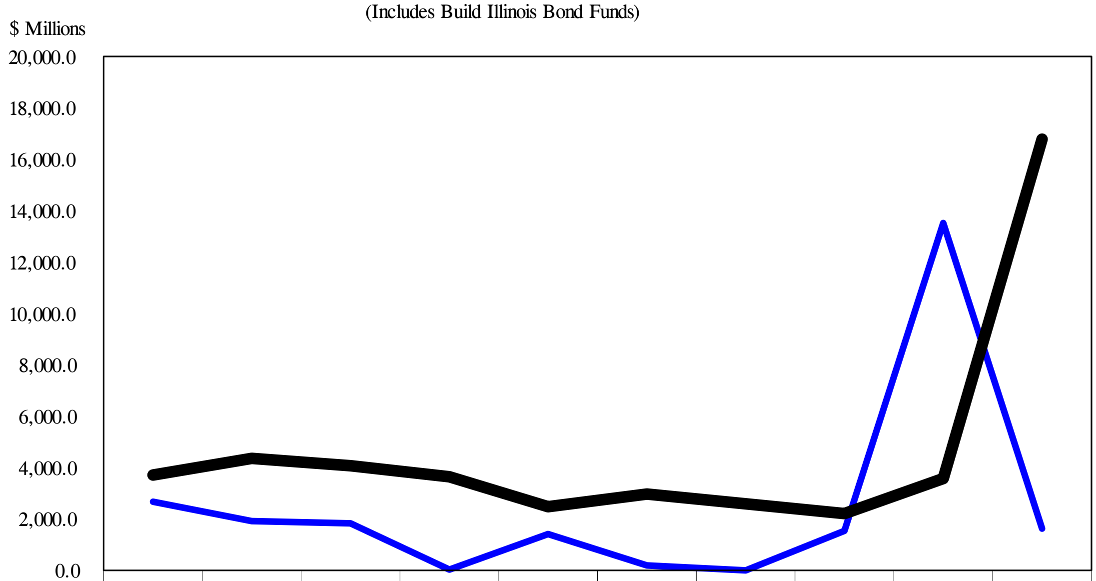
Source: GOMB

Chart 5 shows the amount of new appropriations versus reappropriations of all bond funds, including Build Illinois bond funds. Historically, the majority of project funding came from general obligation bond funds. In FY 2010 a significant portion of project appropriations came from the Build Illinois Bond Fund, mainly for member initiatives. Total bond funds combined for fiscal years 2002 through requested 2011 are shown.

In FY 2003 combined bond fund new appropriations dipped below the $2 billion level of the previous three years. 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. Due to the FY 2010 Illinois Jobs Now program, new appropriations skyrocketed to $13.5 billion.

CHART 5

10-Year History of Combined Bond Funds
New Appropriations v. Reappropriations
(Includes Build Illinois Bond Funds)



	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011*
Reappropriations	3,714.7	4,361.4	4,074.9	3,647.4	2,478.1	2,972.8	2,590.0	2,212.0	3,576.0	16,779.0
New Appropriations	2,673.0	1,923.8	1,831.6	34.5	1,413.5	192.9	0.0	1,540.0	13,516.0	1,629.0

Reappropriations — New Appropriations

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

Review of the FY 2010 Capital Plan

Public Acts 96-0004, 96-0035, 96-0039, and 96-0819 combined to be the first multi-year capital program the State has had since the Illinois First program approved in 1999. **The FY 2010 capital program will cost approximately $31 billion**, including the FY 2009 "mini capital plan" for shovel-ready projects. Funding will come from:

- $15 billion of State funds and bonding.
- $13.2 billion from the Federal government including $2.8 billion stimulus.
- $2.7 billion from local funds match for projects, such as school construction.

The new Capital Projects Fund, as a part of Public Act 96-0034, subject to appropriation, is to be used only for capital projects and the payment of debt service on bonds issued for capital projects. Public Acts 96-0034, 96-0037, and 96-0038 were to have generated the revenues for the Capital Projects Fund.

Video Gaming: $288-$534 million
---5/6 of the 30% tax on the newly legal Video Gaming

- Since approved, over 50 communities have "opted out" of allowing video gambling, or approximately 11% of the population.
- City of Chicago must "opt in" before video gaming would be allowed. While initial estimates were based on conservative assumptions i.e. per machine estimates, the exclusion of Chicago would significantly compromise earlier expectations as over 33% of the state's population would be affected, and a similar amount of revenue.
- Lag in implementation - At a December 2009 CGFA meeting, Gaming Board officials indicated that they were likely still 1 year away from having the first machines on-line.
- While video gaming is anticipated to be one of the major revenue sources for the Capital Projects Fund, it should be noted that there is currently no provision restricting local governments from receiving funding from the Capital Projects Fund, even if that governmental body bans video gaming in their area.

TABLE 4

CGFA Video Gaming Estimate
and the Impact of Communities Banning Video Gaming
(millions)

Original estimate based on 45,000 to 65,000 video gaming machines generating approximately $70 to $90 per day and taxed at 30%.	Amount to Capital Project Fund (5/6 of Total)		Amount to Participating Local Governments (1/6 of Total)		Total Tax Revenue Amount from Video Gaming	
	Low	*High*	*Low*	*High*	*Low*	*High*
Original CGFA Estimate	**$287.4**	**$533.8**	**$57.5**	**$106.8**	**$344.9**	**$640.6**
Impact of City of Chicago not "Opting In"*	($63.6)	($118.0)	($12.7)	($23.6)	($76.3)	($141.7)
Impact of Communities "Opting Out"**	($38.6)	($71.7)	($7.7)	($14.3)	($46.3)	($86.0)
Updated CGFA Estimate	**$185.3**	**$344.1**	**$37.1**	**$68.8**	**$222.3**	**$412.9**

* The Commission uses the City of Chicago's portion of the State's population (approximately 22.1%) to estimate the impact of Chicago not "opting in" to video gaming.
** The communities banning video gaming (as of 3/11/10) make up approximately 13.4% of the State's population. As the number of communities opting out of video gaming continues to grow, so will their impact on video gaming revenues.

Lottery: $150 million (GOMB)
---5 year Online Lottery pilot program-- excess revenues not already going to the Common School Fund
---10 year lease for the private management of the Lottery-- excess revenues not already going to the Common School Fund

- Originally a private management firm was to be selected by March 2010. In January, that was extended to mid-September 2010, with implementation anticipated in January 2011, and only once a clarifying memorandum from the Department of Justice finds that such a program is permitted under federal law. It is not certain how long after that new efficiency measures could/would be implemented.
- Note: it appears that a partial year boost from the multi-state Power Ball game would make available approximately $25 million in FY 2010 for capital projects. This is made possible by recent legislative changes which index lottery transfers to the Common School Fund to actual FY 2009 levels of $625 million. Amounts above inflation are to be made available for capital projects [above $636 in FY 2011].

Sales and Use Tax Expansion: $65 million
---expanding definition of soft drinks and increasing the tax from 1% to 6.25%
---including candy in the definition of food consumed off premises now taxed at 6.25%
---no longer exempting grooming & hygiene products, now taxed at 6.25%

From October 2009 through March 2010, approximately $27 million from sale tax expansion has been deposited into the Capital Projects Fund.

Increases to Liquor Taxes: $108 million
---Beer by $0.046 per gallonage
---Wine up to 14% by $0.66 per gallonage
---Wine over 14% by $0.66 per gallonage
---Distilled liquor by $4.05 per gallonage

The liquor tax increases have resulted in a number of lawsuits. As a result, thru March 2010, $34.5 million in liquor taxes have deposited into the Protest Fund, and only $10.6 million has been deposited into the Capital Projects Fund.

Increases to Motor Vehicle Fees: $332 million
---Vehicle Registrations by $20
---Transfers of Registrations by $10
---Certificate of Title by $30
---License Fees by $20
---Increases in penalties for violating the increased weight limit of 80,000 pounds

Approximately $39.7 million from motor vehicle licenses, operator licenses, and certificate of title fees have been deposited into the CPF.

TOTAL	$943 million to $1.189 billion

As a temporary fix to the issues related to funding the new capital plan, Public Act 96-0820 was passed. This Act allows for the transfer of funds from the Road Fund to the General Obligation Bond Retirement and Interest Fund if the balance in the Capital Projects Fund is insufficient to make the required transfer for debt service. This must be repaid to the Road Fund when there are funds available in the Capital Projects Fund.

FY 2011 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 $31.3 million for the Department of Agriculture consists of $22.5 million from the Capital Development Fund, $8 million from the Partners for Conservation Projects Fund (formerly Conservation 2000 Projects Fund), and $0.8 million from the Agricultural Premium Fund.

PROGRAMS ($ millions)	FY2011 (in millions)
• IL State Fairgrounds, Springfield: various repairs	$12.1
• Statewide: Grants to Soil and Water Conservation Districts	16.0
• DuQuoin Fairgrounds: various repairs	3.3

Architect of the Capitol

Approximately $7.3 million would be appropriated from the Capital Development Fund for projects at the Capitol, including ADA compliance upgrades, replacement of windows, replacement of vestibule and doors, and upgrades for security.

Attorney General

The Attorney General Building in Springfield would receive $0.5 million from the Capital Development Fund to install an emergency generator.

Capital Development Board (CDB)

The Capital Plan request for the Capital Development Board is $35.9 million, all of which would come from the Capital Development Fund.

PROGRAMS ($ millions)	FY2011 (in millions)
• Statewide: emergencies, minor repairs remodeling	$12.0
• Statewide: Americans with Disabilities Act upgrades	5.0
• Statewide: energy efficiency upgrades	5.0
• Statewide: hazardous materials	5.0
• Statewide: upgrade elevators	5.0
• Statewide: exterior repairs/tuckpointing	3.0
• Statewide: Capital Planning & Condition Assessment/Analysis	0.9

Central Management Services (CMS)

The recommendation for CMS is $94.7 million to come entirely from the Capital Development Fund, for the projects listed below:

PROGRAMS ($ millions)	FY2011 (in millions)
• Offender Tracking System conversion	$20.0
• Statewide: Illinois Century Network	19.0
• Thompson Center: HVAC, elevators, exterior repairs	12.4
• One Stop Shop pilot program	10.0
• Statewide: upgrade/replace HVAC systems	8.0
• IL Center Rehab & Education: renovations/ADA/life safety improvements	6.8
• Springfield Computer Facility: upgrade HVAC & electrical	5.1
• Springfield Computer Facility: Construct New Computing Center	5.0
• Statewide- renovate State-owned space for office use	4.0
• Statewide: replace roofing systems, windows & exterior facades	4.0
• Research & Collection Center, Springfield: replace chiller/cooling tower	0.4

Children and Family Services

The Department of Children and Family Services would receive $18 million from the Capital Development Fund for replacing roofing systems, upgrading HVAC systems and utilities, and security upgrades.

Commerce and Economic Opportunity (DCEO)

The $120.1 million in new appropriations for DCEO would come from the Build Illinois Bond Fund, $90 million of which are a part of the Governor's Green Initiative.

PROGRAMS ($ millions)	FY2011 (in millions)
• Smart Grid Infrastructure Deployment	$40.0
• Statewide: Green Business Development	30.0
• Statewide: Renewable Energy	20.0
• Statewide: Asian Carp; Business & Market Development	10.0
• Grants for Capital for Community Based Programs	8.8
• Statewide Stimulus Matches	6.3
• Agriculture Technology Development	5.0

Community College Board

The Community College Board would receive $127.7 million from the Capital Development Fund through the Capital Development Board. Approximately $34 million of these projects are part of Governor Quinn's Green Initiative:

PROGRAMS ($ millions)	FY2011 (in millions)
• Statewide: Capital Renewal	94.1
• Joliet Junior College: City Center/Adult Education construction	21.6
• Spoon River College: expand/renovate educational buildings	4.9
• Lincoln Land CC, Taylorville: expand Regional Education Center	3.0
• Sauk Valley CC: renovate Natural Sciences Labs	2.7
• Southeastern IL College, Carmi: construct Vocational Building	1.3

Corrections

The FY 2011 Capital Budget requests approximately $136.6 million from the Capital Development Fund for State correctional facilities, all of which would flow through the Capital Development Board. The various projects include $75 million worth of Green Initiatives:

PROGRAMS ($ millions)	FY2011 (in millions)
• Stateville CC: construct Centralized Medical/Long-Term Care Facility	$55.0
• Statewide: upgrade HVAC systems/ site utilities	25.0
• Stateville CC: construct an X-House	20.0
• Statewide: replacing roofing systems	10.0
• Statewide: upgrade security/locks	10.0
• Statewide: Life/Safety improvements	7.0
• Dixon CC: upgrade fire alarm system	8.6
• Pinckneyville CC: correction of structural issues	1.0

Environmental Protection Agency (EPA)

The Environmental Protection Agency would receive a total $476.4 million, of which $447 million would come from the Water Revolving Fund, while the remainder of $29.4 million would come from the Anti-Pollution Fund for the following programs:

PROGRAMS ($ millions)	FY2011 (in millions)
• Statewide: Wastewater Loan Program	$330.0
• Statewide: Drinking Water Loan Program	110.0
• Statewide: Water Revolving Fund State Match	29.4
• Statewide: Green Infrastructure Grant Program	5.0
• Statewide: Small Community Water Supplies Compliance Grant Program	2.0

Higher Education

The FY 2011 capital plan requests $268.2 million in new capital appropriations to State Universities through the Capital Development Board using bond proceeds from the Capital Development Fund. $52 million of the U of I and ISU projects are a part of the Governor's Green Initiative. Specific projects are listed below:

PROGRAMS ($ millions)	FY2011 (in millions)
• CSU: capital renewal	$5.0
• EIU: capital renewal	8.0
• GSU: capital renewal	2.9
• ISU: capital renewal	15.8
• ISU: planning/renovation of Milner Library	7.3
• NEIU: capital renewal	5.9
• NIU: capital renewal	18.0
• SIU, Carbondale: capital renewal	25.2
• SIU, Edwardsville: capital renewal	11.8
• WIU: capital renewal	12.3
• U of I, Champaign-Urbana: capital renewal	64.3
• U of I, Chicago: construct Advanced Chemical Technology Facility	43.0
• U of I, Chicago: capital renewal	43.0
• U of I, Springfield: capital renewal	3.6
• U of I, Springfield: renovate Brookens Library	2.0

Historic Preservation

The Historic Preservation Agency would receive $12.2 million from the Capital Development Fund, funneled through the Capital Development Board, for the following projects:

PROGRAMS ($ millions)	FY2011 (in millions)
• Statewide: repair/renovate/ restore Lincoln Sites	$7.0
• Old State Capitol, Springfield: restore interior/exterior, elevators	3.8
• Mt. Pulaski Courthouse: restore interior/exterior	1.3
• Executive Mansion: capital upgrades	0.1

Human Services

The Department of Human Services would receive $51.3 million from the Capital Development 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:

PROGRAMS ($ millions)	FY2011 (in millions)
• Statewide: Life/Safety improvements	$15.6
• Statewide: replacing roofing systems	6.9
• Murray DC: renovate Central Dietary/Residential Kitchens	5.0
• Shapiro DC: upgrade steam and condensate lines	5.0
• Elgin MHC: renovate Central Dietary	4.4
• Ludeman DC: renovate 7 residences	3.6
• McFarland MHC: upgrade electrical systems	3.1
• Rushville Treatment & Detention: construct addition or new facility	3.0
• Jacksonville DC: upgrade Power Plant	2.3
• Fox DC: Power Plant renovation	2.0
• Kiely DC: replace sprinkler heads/upgrade Fire Alarm System	0.5

Military Affairs

Approximately $21.3 million would be appropriated from the Capital Development Fund to the Department of Military Affairs through the Capital Development Board. The following projects would be funded:

PROGRAMS ($ millions)	FY2011 (in millions)
• Statewide: system upgrades/interior & exterior renovations	$10.0
• Statewide: replace roofing systems	5.0
• North Riverside MEB Armory: New Readiness Center	4.4
• Camp Lincoln: Land Acquisition	1.5
• Camp Lincoln: install Geothermal System – AGO Building	0.4

Natural Resources

The Department of Natural Resources would receive $212.7 million in new appropriations under the Governor's capital plan, from various federal/state trust funds and State revenue funds. This amount includes $152.8 million from the Capital Development Fund, $20 million from the Build Illinois Bond Fund, $7.7 million in federal/state trust funds, and an additional $32.2 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. Programs are listed below:

PROGRAMS ($ millions)	FY2011 (in millions)
• Statewide: Safety at Dams and Waterway Infrastructure Projects	50.7
• IL River Basin: Conservation Reserve Enhancement	30.0
• Flood Control (State and Federal)	25.3
• Abandoned Well Plugging	20.0
• Upgrade Waste Treatment/Sewage Systems, construct vault toilets	14.0
• Outdoor Recreation (bike, trails, boat, snowmobile, off-highway vehicles)	13.1
• Renovate/Replace lodges, site buildings, roofing, bridges, playgrounds	12.5
• State Match for Federal Corp Ecosystem Restoration Projects	12.3
• Natural Areas and Open Space Land Acquisition	12.0
• upgrade campground and electrical/site utilities	10.0
• Abandoned Mined Lands Reclamation (State and federal)	7.5
• Wildlife Conservation and Restoration	3.4
• Forestry and fire protection programs (State and federal)	1.7
• Chain O' Lakes-Fox River Waterway Management System: operating expenses	0.2
• Statewide Landowner Grant Program under the Illinois Oil & Gas Act	0.1

Public Health

The Capital Budget request for the Department of Public Health is $15 million from the Capital Development Fund for the planning and beginning of a new lab in Chicago. This is part of the Governor's Green Initiatives.

Revenue

The Department of Revenue would be appropriated $15.3 million from the Capital Development Fund for security upgrades, system upgrades and building renovations at the Willard Ice Building.

Secretary of State

The Secretary of State would receive $27 million from the Capital Development Fund for the following projects:

PROGRAMS ($ millions)	FY2011 (in millions)
• Motor Vehicle Services, Springfield: HVAC, life/safety & roofs	15.9
• Capitol Complex: HVAC, utilities systems, life/safety & roofs	5.0
• Capitol Complex: underground tunnel repairs	3.6
• Capitol Complex: underground parking garage repairs	2.0
• Capitol Complex: replace steam absorption chillers	0.6

State Board of Education

Approximately $250 million from the Capital Development Fund would be appropriated through the Capital Development Board for the Governor's Green School Consolidation Initiative.

State Police

The Capital Development Fund would fund $28.5 million in projects for the Department of State Police.

PROGRAMS ($ millions)	FY2011 (in millions)
• Joliet Forensic Lab: planning and beginning construction	15.0
• Statewide: upgrade firing ranges	7.0
• ISP Central Headquarters, Springfield: upgrade HVAC – Facility Building	4.0
• Statewide: construct/replace Communication Towers/Buildings	2.5

Supreme Court

The Supreme Court would receive $1.1 million from the Capital Development Fund for Phase II building renovations at Mt. Vernon Appellate Court Building, and for ADA and security updates at the Ottawa Appellate Court Building.

Transportation (IDOT)

The Governor has requested $2.338 billion in new appropriations in FY 2011. The majority of funding for appropriations would come from current state funds as pay-as-you-go funding, include $1.5 billion in Road Funds, $453 million from the State Construction Account Fund, and $43 million from other transportation-related funds: Grade Crossing Protection Fund, the State Rail Freight Loan Repayment Fund, and the Rail Freight Loan Repayment 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). Finally, the remainder of transportation funding would come from $142 million of Transportation A bond proceeds. Projects being funded appear below:

PROGRAMS ($ millions)	FY2011 (in millions)
• Statewide: transportation-related construction	$1,575.2
• Local share of Road Program	449.0
• Federal/Local: financial assistance to airports	137.0
• Maintenance, Traffic, Physical Research/Formal Contracts A & B	46.6
• Grade Crossing protections/separations	39.0
• Apportionments to Counties, Cities and Townships	35.8
• Federal Transportation grants for Mass Transit	16.0
• Township Bridge Program	15.0
• Permanent Improvements to IDOT facilities	10.1
• Motorist Damage to Highway Structures	9.2
• Rail Freight Loan Repayment (State & Federal)	3.7
• Disposal of Hazardous Materials	1.2

Veterans Affairs

The Department of Veterans Affairs would receive approximately $31.7 million from the Capital Development Fund, of which $11.5 million is for a Green Initiative.

PROGRAMS ($ millions)	FY2011 (in millions)
• Statewide: Life/Safety, HVAC and utilities systems	20.0
• Anna Veterans Home: construction of 40-50 bed addition	11.5
• Manteno & Quincy Veterans Homes: cemetery renovation	0.2

CURRENT BOND TOPICS

- Short-Term Borrowing
- Metropolitan Pier and Exposition Authority Debt Restructuring
- Illinois Student Assistance Commission State Guaranteed Bonds
- Toll Highway Authority Congestion-Relief Program Update
- School Construction Update
- Debt Responsibility and Transparency

Short-Term Borrowing

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.

- 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 a failure of revenues. The amount was not to exceed $2.3 billion and would be sold in two issuances. The first $1 billion was sold in May 2009 and will be paid off in two installments in April and May of 2010. Interest will equal $28.8 million.

- The State sold the second G.O. Certificate issuance for failure of revenues in August 2009 in the amount of $1.25 billion. Payments will be made March, April and June of 2010 (within one year per statute). Proceeds of the G.O. Certificates were deposited into the General Revenue Fund and used to supplement revenues during FY 2010 and to relieve general cash flow pressures. Interest will equal approximately $16 million.

- The Governor sold $246 million in G.O. Certificates for deposit into the Healthcare Provider Fund for the exclusive purpose of funding Medicaid services subject to the enhanced federal participation due to expire on December 31, 2010. This authorization was approved under the General Obligation Bond Act as one-year notes.

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 of General Obligation Certificates in December 2008.

As noted in the table below, short-term borrowing has often been used to get the federal match for the Hospital Provider Assessment Program: 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 the Spring of 2009, the Legislature approved an **Interfund Borrowing plan** (Public Act 96-0003) which required the Comptroller to transfer $335 million from the General Obligation Bond Retirement and Interest (GOBRI) Fund and $175 million from the State Employees' Retirement System (SERS) Fund to the Hospital Provider Fund. The purpose of this borrowing was to make payments to hospitals for the Hospital Assessment Program, which allowed the State to receive their Federal match. Funds were borrowed and repaid all in March 2009, with interest paid in April 2009. Interest paid from the Hospital Provider Fund to GOBRI was $365,471 and to SERS Fund was $190,918.

- 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	**Date Retired**	**Purpose**	**Amount (millions)**
June-July 1983	May 1984	To maintain adequate cash balances caused by revenue shortfalls	$200
February 1987	February 1988*	To improve the cash position of the General Funds	$100
August 1991	June 1992	For cash flow purposes	$185
February 1992	October 1992*	To pay Medicaid providers through the Medicaid Developmentally Disabled Provider Participation Fee, Medicaid Long-Term Care Provider Participation Fee, and Hospital Services Trust Funds	$500
August 1992	May 1993	To improve the payment cycle to Medicaid service providers	$600
October 1992	June 1993	For cash flow purposes	$300
August 1993	June 1994	For cash flow to pay Medicaid service providers through the Hospital Provider Fund	$900
August 1994	June 1995	To pay Medicaid service providers through the Long-Term Care and Hospital Provider Funds	$687
August 1995	June 1996	To GRF for cash flow and payment to Medicaid service providers through the Long-Term Care Provider Fund and Hospital Provider Fund	$500
July 2002	June 2003	For Cash Flow; payments for medical assistance; to medical providers for long-term care; to pay Income Tax Refunds	$1,000
May 2003	May 2004*	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	$1,500
June 2004	October 2004*	For Medicaid service providers and the Children's Health Insurance Program	$850
March 2005	June 2005	For Cash Flow; for payments to Medicaid Service Providers through the Hospital Provider Fund.	$765
November 2005	June 2006	For Cash Flow; for payments for Medicaid and the Children's Health Insurance Program.	$1,000
February 2007	June 2007	For the Hospital Provider Assessment Tax Program; health care related funds; General Revenue Fund liquidity.	$900
September 2007	November 2007	For the Hospital Provider Assessment Tax Program; health care related funds; General Revenue Fund liquidity.	$1,200
April 2008	June 2008	For the Hospital Provider Assessment Tax Program; health care related funds; General Revenue Fund liquidity.	$1,200
December 2008	June 2009	To relieve General Revenue Fund cash flow pressures.	$1,400
May 2009	May 2010*	Failure of Revenues	$1,000
August 2009	June 2010	Failure of Revenues	$1,250
April 2010	March 2011*	For the Healthcare Provider Relief Fund for the exclusive purpose of funding Medicaid services subject to the enhanced federal participation due to expire on December 31, 2010	$246
Source: Governor's Office of Management & Budget			
*Across fiscal year borrowing			

Metropolitan Pier & Exposition Authority (MPEA) Debt Restructuring

There are two categories of bonds sold by the MPEA. The "Dedicated State Tax Revenue" bonds 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).

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**

"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, in the past, 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.
- In FY 2009, the MPEA borrowed $53.3 million, paying back $34.5 million but keeping $18.8 million.

The Authority Tax Fund (reserve fund) equaled $1.7 million at the end of FY 2008, and does not have enough revenue to help pay for debt service. The MPEA does not expect revenues will be able to match the increases in debt service. Early estimates of tax revenues for FY 2010 are $105 million, while Expansion debt service will be $139 million. This would make a draw on the State's Backup Fund of approximately $34 million. Debt service on the Expansion bonds then rises at an average of 5.1%, until it maxes out at $275 million.

Legislation has been introduced to allow the Authority to:

- Restructure and refund MPEA debt and extend the refunding maturities to 2050 now 2042), past the maturities of the bonds they would be refunding. Refunding at this time would bring in a lower interest rate, while extending and restructuring debt service payments would give them breathing room, even if local taxes under-perform in the future.

- 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.

- 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 on the previous page). This would also prolong the Chicago-related taxes being imposed by the Authority for another 8 years within the MPEA area.

Without these changes, MPEA sales tax receipts in FY 2010 will not be sufficient to pay back any borrowing it would do that year and future years from the State's backup pledge.

Current Debt Service for Expansion & Dedicated Bonds	
Fiscal Year	Debt Service
FY 2010	$171 million
FY 2011-FY 2015	$940 million
FY 2016-FY 2020	$1,052 million
FY 2021-FY 2025	$1,331 million
FY 2026-FY 2030	$1,375 million
FY 2031-FY 2035	$1,375 million
FY 2036-FY 2040	$1,375 million
FY 2041-FY 2042	$550 million
TOTAL	**$8,169 million**

The table to the left shows current total debt service for Dedicated and Expansion bonds combined. 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 Expansion bond 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. Once the new hotel rooms are up and running, the Authority would use these new revenues to help pay for debt service.

Other Issues:

- McCormick Place has lost two big shows, the Healthcare Information & Management Systems Society which will be moving to Las Vegas for its 2012 convention, and the Society of the Plastics Industry Inc. which will move its 2012 and 2015 shows to Orlando. Las Vegas and Orlando are McCormick Place's two biggest competitors. According to Crain's Chicago Business, "Both groups cited the high costs of doing business in the city and contending with strict work rules at the convention center as factors in their decision to leave"["Trade shows to McPier: Change, or we'll walk", April 1, 2010]. The loss of these shows will hurt McCormick Place, local businesses and State and local government revenues. This loss will further aggravate the MPEA's ability to pay for debt service and operations.

- Fitch downgraded the Authority from AA- to A+ in July, stating, "Without approval from the Illinois General Assembly to restructure its debt or increase revenues, the authority will continue to need state sales tax revenues to meet escalating debt service requirements…This amount will continue to widen without revenue or expenditure adjustments - both of which are outside the authority's control." Moody's downgraded the Authority in July of 2009 from A1 to A3 when it downgraded the State's credit, because of the MPEA's reliance on the State for Dedicated Bonds debt service and Expansion bonds backup. Standard and Poor's has kept the Authority's rating at AA-, although the Expansion Bonds are rated AAA.

As a result of the aforementioned issues, the Legislature passed Public Act 96-0882 which replaced the thirteen-member MPEA Board with a 7-member Interim Board with members chosen by the Governor and the Mayor of Chicago. At least one of the members chosen by the Governor must have academic credentials in labor law or human resources. The Interim Board is charged with coming up with ideas of how to solve the budget issues of the Authority. After that time a new board would be created.

The Interim Board has held two meetings at which they have heard from the different groups involved. Tradeshow representatives threatened to leave the city if there are no changes with the high costs and strict work rules. Unions have stated they are willing to sit down and work out the rules, but blame most of the high costs on the show contractors. They also want to disband the Chicago Convention and Tourism Bureau. Show contractors Freeman Co. of Dallas and GES Global Experience Specialists of Las Vegas blame the high costs on the Unions.

The Chicago Convention and Tourism Bureau warns that five to 20 trade shows could leave Chicago. Many testifying propose that the State could subsidize McCormick Place operations, as both Las Vegas and Orlando do for their convention centers. The State currently only subsidizes the payment of MPEA debt. [Crain's Chicago Business: "Trade shows to McPier: Change, or we'll walk", April 1, 2010 and "Unions blame convention bureau, contractors for trade show losses", April 7, 2010.]

Illinois Student Assistant Commission State Guaranteed Bonds

Public Act 96-0009 (SB 0325) allowed the Illinois Student Assistance Commission to issue $50 million in bonds by December 31, 2009, to be backed by the State of Illinois' general obligation pledge. The proceeds of the bonds are to be used in connection with the Federal Family Education Loan Program through ISAC's rehabilitation loan program, to fund a debt service reserve, and for costs of issuance of the bonds. The bond sale is expected to help 3500 loan holders.

ISAC sold the $50 million Student Loan Revenue Bonds Series 2009 in May of 2009. The bonds carried the State of Illinois Guarantee and received a 3.15% interest rate for the 5 year maturity. The bonds are supported by a debt service reserve equal to 4% of the principal amount of the bonds, of which 75% was funded from the proceeds of the bonds, and 25% by the Illinois Student Assistance Commission. ISAC does not expect the State to have to actually pay on the debt service of these bonds. The State Guarantee was to help them market the bonds, since student loan bonds, which were previously sold as Auction Rate Securities, currently have no market. The student loans that the bonds would be sold for are insured through the U.S. Department of Education which will repay the Commission 97% of the principal and interest on any of the loans that would default. The Commission states that approximately 9.7% of ISAC students default on their loans (the national average is 10%). Besides the cash collateral and the USDOE 97% guarantee, the bonds are insured by Assured Guaranty Corp.

The Commission currently has authorization to issue $5 billion in bonds, outstanding at any one time, issued for maturities up to 40 years, which are not an obligation of the State. As of June 30, 2009, ISAC had approximately $1 billion in principal outstanding. In 2007, the Illinois Student Assistance Commission sold off approximately $3 billion in debt from loans to non-Illinois students in order to stem market losses and allow for the coverage of Illinois programs, such as MAP (Monetary Award Program) and MAP Plus.

If the general obligation pledge were to be tapped, the State could pay up to $1.64 million ($1.5 million in principal and $145,000 in interest, representing the 3% not guaranteed by the U.S. Department of Education). These estimates are made using a 5-year, level debt service plan at an interest rate of 3.15%.

Toll Highway Authority Congestion-Relief Program Update

The Illinois State Toll Highway Authority's 10-year Congestion-Relief Program includes the first restructuring of tolls since 1983, and 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.

More than 65% of the Authority's roads and structures were more than 45 years old. Under the Program, approximately 95% of the existing roadway is being reconstructed and rehabilitated, while a significant portion of the roadways will be widened. Another priority was to convert the entire mainline system to open road tolling using I-PASS only lanes. The 12.5 mile south extension of the North-South Tollway known as I-355 and named Veterans Memorial Highway was constructed. This construction opened in November of 2007, and serves Will County providing a regional connection that improves north-south mobility between I-55 and I-80. 22 mainline plazas now utilize open road tolling.

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 $2.6 billion ("pay-as-you-go" from revenues). The Tollway has sold almost $3.4 billion of bonds for this program to date and in 2008 refunded $766 million of debt. The Tollway also restructured and remarketed another $700 million of variable-rate demand bonds in 2007 because they were insured by the downgraded XL Capital Assurance Inc. and getting increased interest rates from the weekly remarketing cycles up to 7%. The restructuring allowed the Tollway to remove this insurance policy before Fitch further downgraded it to junk status.

The Tollway sold $280 million of BABs in November 2010 as the final piece to the Congestion Relief Program. The Authority is also looking to refinance $1.5 billion of variable rate bonds previously sold for the program. The Tollway's 2010 budget of $696 million would pay for $265 million in operating expenses and $231 million in debt service. Bond proceeds and capital reserves will fund $341 million in capital projects.

The following table shows total debt service for outstanding bonds after the Series 2009B $280 million revenue bonds were issued. They were sold as taxable Build America Bonds, and the Tollway will receive the Federal interest subsidy.

2009B Revenue bonds BABs= $280 million Toll Highway Bond Debt Service (in millions)			
Year Ending January 1	**Debt Service on Outstanding Bonds**	**Debt Service on $500 million**	**Total Debt Service**
2010	$230.4	$16.1	$246.5
2011	$230.4	$16.4	$246.8
2012	$230.4	$16.4	$246.8
2013	$263.8	$16.4	$280.2
2014	$263.8	$16.4	$280.2
2015	$263.7	$16.4	$280.1
2016	$263.8	$16.4	$280.2
2017	$262.2	$16.4	$278.6
2018	$283.5	$16.4	$299.9
2019	$283.2	$16.4	$299.6
2020	$282.9	$16.4	$299.3
2021	$282.6	$16.4	$299.0
2022	$282.4	$16.4	$298.8
2023	$282.2	$16.4	$298.6
2024	$275.7	$16.4	$292.1
2025	$270.9	$16.4	$287.3
2026	$283.3	$16.4	$299.7
2027	$283.7	$16.4	$300.1
2028	$285.2	$16.4	$301.6
2029	$286.0	$16.4	$302.4
2030	$286.4	$16.4	$302.8
2031	$281.5	$16.4	$297.9
2032	$280.3	$16.4	$296.7
2033	$278.9	$16.4	$295.3
2034	$0.0	$296.4	$296.4
TOTAL	**$6,517.2**	**$689.7**	**$7,206.9**

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. Total outstanding debt stands at $3.8 billion. The three rating agencies have affirmed the Tollway's long-term ratings of AA-/Aa3.

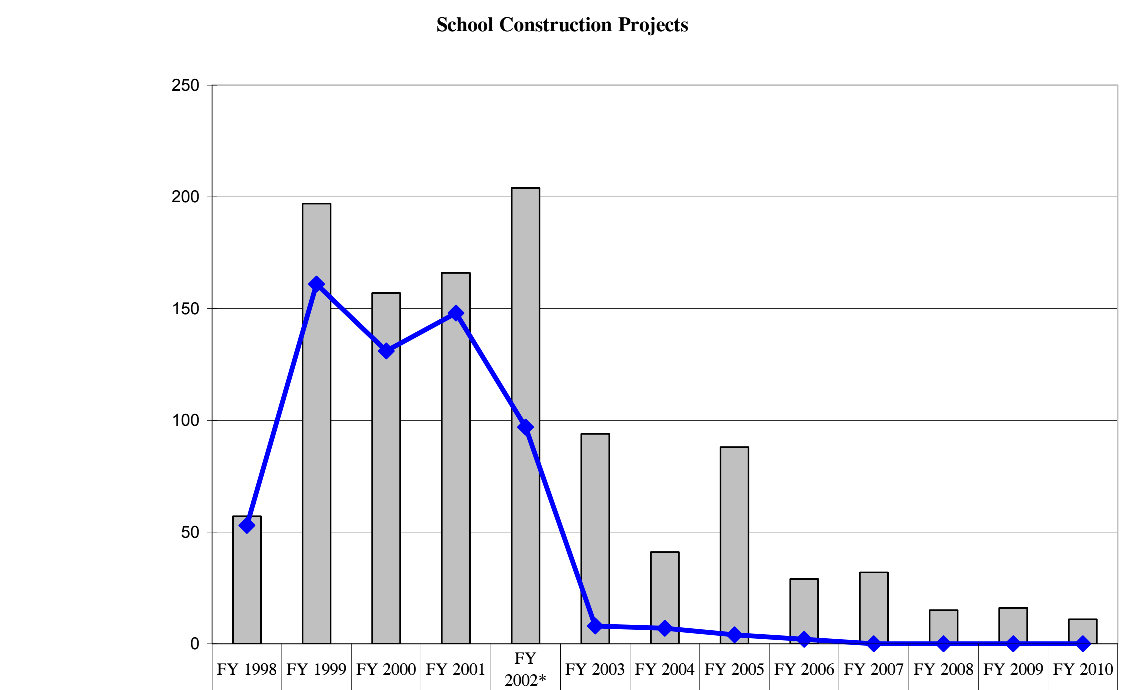
Future Capital Plans. In November 2008, the Tollway approved a second phase to the Congestion-Relief Program, entitled Tomorrow's Transportation Today Plan (TTT). This $1.8 billion capital program would continue to improve mobility through converting 80 miles of the Tollway's heaviest traffic areas to managed toll lanes and would include interchange construction. As passed, these costs would be bonded and paid for through an increase in commercial vehicle tolls:

- January 1, 2015 — 40% above 2008 rates
- January 1, 2016 — 50% above 2008 rates
- January 1, 2017 — 60% above 2008 rates
- from January 1, 2018 an annual inflator would be applied that would equal the percentage change in the Consumer Price Index for all Urban Consumers.

This program was put on hold pending a review by the Authority's Inspector General of the process by which the TTT was conceived and approved by the Authority. The findings concluded that there was no evidence of impropriety. The program is still on hold at this time while the Tollway consults with Governor Quinn on the future of the program and its funding due to current economic factors.

School Construction Update

The chart below shows the applications received by the State Board of Education through FY 2010. The ISBE has a backlog of over 300 applications from fiscal years FY'03 through FY'10. 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 were suspended except for emergency situations. This amount denotes estimated emergency situations.*

<u>*History*</u>: 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. In FY 2003 and FY 2004, appropriations of $500 million each year allowed for the funding of 87% of the entitled FY 2002 projects. Of the 97 entitled applications in FY 2002, 24 entitled projects remained on the list and had not received funding. Those projects are listed in 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 $7.8 billion worth of needs:

- Over $1.7 billion is needed to build 116 school buildings;
- $5 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.

Current: FY 2010 appropriations equal $1.73 billion:

- $1.5 billion for School Construction, $149 million for the above listed 24 school district projects already approved for funding,
- $100 million for School Maintenance grants.
- $25 million for severely overcrowded schools,
- $45 million for early childhood construction,
- $50 million for energy efficiency projects, and
- $10 million for a Technology Immersion Project.

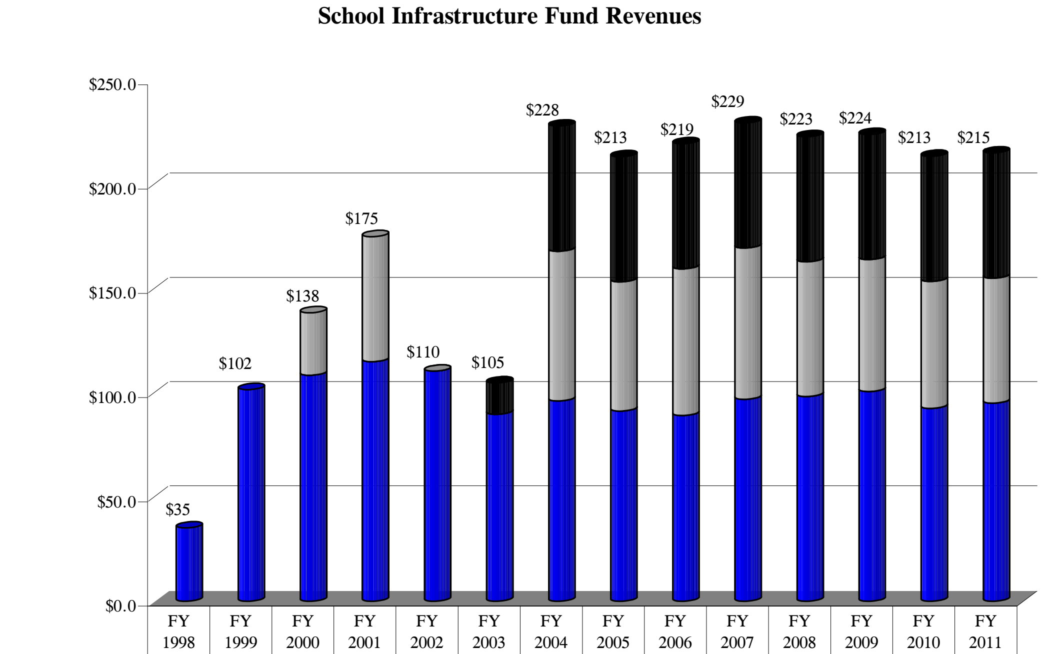
Appropriations for projects (in millions)	
FY 1998	$30.0
FY 1999	$260.0
FY 2000	$500.0
FY 2001	$500.0
FY 2002	$740.0
FY 2003	$500.0
FY 2004	$500.0
FY 2005	$0.0
FY 2006	$18.0
FY 2007	$0.0
FY 2008	$0.0
FY 2009	$0.0
FY 2010	$1,730.0
FY 2011*	$250.0

Now that the remaining applications from FY 2002 have been appropriated, the State Board of Education is reevaluating applications starting with FY 2003. Four Category A emergencies have been entitled, some applications have been deemed ineligible and other applications have been withdrawn. The ISBE would like to spend $50 million a year over the next two years on the School Maintenance program. The increase in bond authorization for School construction projects was only $420 million. School Construction authorization will have to be increased by over $1 billion to cover the remaining appropriations from FY 2010. The State sold $356 million in G.O. bonds in April 2010 for School Construction projects.

The Build Illinois Bond Fund would pay for the Technology Immersion Project, and the early childhood construction program, which is at a standstill due to constituents who are unhappy with the 50/50 grant match. Legislation has been introduced to decrease the local match in the program to only 10%. Authorization for Build Illinois bonds will also have to be increased to cover all of the programs appropriated from previous years through FY 2011.

Appropriations from the Capital Development Fund would pay for the energy efficiency grant program and severely overcrowded schools program. The FY 2011 Budget request is $250 million for the Governor's Green School Consolidation Initiative which would be appropriated from the Capital Development bond fund. The Capital Development Fund is also over appropriated (more appropriations than bond authorization). Authorization would need to be increased for this program in addition to covering FY 2010 project appropriations.

Funding: Traditionally, 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.



	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	FY 2011
Cigarette Tax						$15.0	$60.0	$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	$63.3	$60.9	$60.0
Telecom Tax	$35.2	$101.5	$108.4	$114.9	$110.4	$89.7	$96.1	$91.2	$89.1	$96.9	$98.2	$100.6	$92.5	$95.0

^ *FY 2010 and FY 2011 numbers are CGFA estimates based on preliminary Comptroller transfers.*
* *The Liquor Tax transfer was suspended for FY 2002 & FY 2003 as part of those fiscal years' budget agreements.*

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 $101 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	$3.3	$0.9*

* *CGFA Estimate.*

Telecom revenues for FY 2010 directed to the Fund are expected to be around $92.5 million (CGFA estimate). The Comptroller has already transferred an additional $0.9 million from GRF into the School Infrastructure Fund (through November 30, 2009) for current bonding debt service to be paid in FY 2010. 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 carry the State's general obligation pledge plus they have specific revenue streams to fund them.

In the past, each time the program was expanded an additional revenue stream was added to pay for the increases in funding. Under the new capital program, revenues from the newly created Capital Projects Fund may be used for the new bond authorization under Public Act 96-0036 [See FY 2010 Capital Plan section]. School Construction bonding authority was increased by $420 million for school implemented projects authorized by the School Construction Law. Authorization will have to be increased further to pay for the rest of the $1.73 billion of appropriations for school construction and infrastructure projects.

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	$229.0

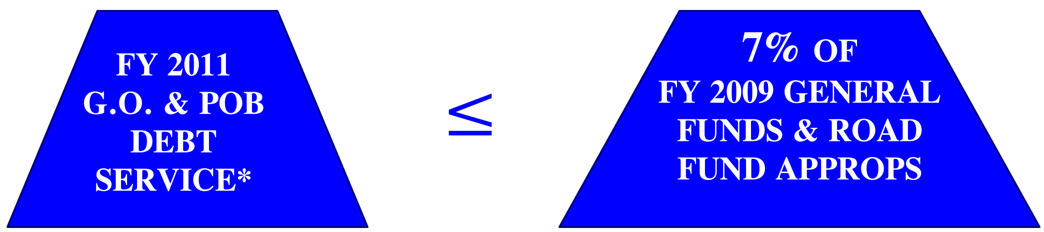
†*CGFA estimate.*

School Infrastructure Fund revenues are estimated to be $213.4 million in FY 2010 (CGFA estimate). Debt service is expected to be $229 million in FY 2010 and $205 million in FY 2011. Either telecommunications tax revenue will have to improve or more General Funds Revenue will have to be transferred to the School Infrastructure Fund to meet debt service requirements. Moneys in the School Infrastructure Fund are transferred to the General Obligation Bond Retirement and Interest Fund to pay for the school construction portion of debt service.

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.

<u>General Obligation Bond sale limit</u>
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 as of June 30, 2009, FY 2009 appropriations (excluding transfers out) equal $37.444 billion. This puts the 7% cap at a maximum $2.621 billion in debt service for FY 2011. According to the Governor's Office of Management and Budget, G.O. debt service for 2011 (including the 2003 Pension Obligation Bonds) will be approximately $1.844 billion and 4.92%. This would leave room for approximately $777 million in additional debt service in FY 2011. ***The State is currently at 4.74%.***

A future negative factor to this equation will be the increasing debt service to pay off the 2003 Pension Obligation Bonds. Debt service to date has been $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. *[See the Pension Obligation Bonds and Notes Debt Service schedule on page 40]*

Public Act 96-0043 excludes the $3.466 billion of G.O. Pension Obligation Notes, sold in January 2010, from the 7% debt cap.

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. Public Act 96-0828 allows for the State to sell Build America Bonds (BABs) under the General Obligation and Build Illinois Acts, and Qualified School Construction Bonds (QSCB) under the General Obligation Bond Act. The cost of issuance allowed under these Acts is increased to 1.0% of the bond sale for these two types of bonds.

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

Competitive/Negotiated Sales

A minimum of 25% of bond sales 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 – 100% of G.O. bond sales, (one issuance of $150 million sold competitively).*
- ✓ *FY 2010 to date – 43% of G.O. Bonds (through the March 2010 BABs) and 32% of Build Illinois Bonds (through March 31, 2010) were sold competitively.*

- *Public Act 96-0018 excludes G.O. and Build Illinois Refunding Bonds sold in FY 2009, FY 2010 and FY 2011 from the Competitive sale provision.*
- *Public Act 96-0043 excludes the $3.466 billion in G.O. Pension bond authorization from the Competitive sale provision.*

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, when applicable, have been followed by the Office of Management and Budget.

NO Capitalized Interest.

No interest on new project bonds 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.

- Refunding principal maturing and redemption amounts due shall be greater than or equal to that of the bonds they are refunding.

Public Act 96-0018 excludes G.O. and Build Illinois Refunding Bonds sold in FY 2009, FY 2010 and FY 2011 from these first two refunding provisions. Refunding Bonds satisfying the requirements of this Act and sold during fiscal years 2009, 2010, or 2011 must mature or be subject to mandatory redemption each fiscal year thereafter up to 16 years (was 25 years).

- Net present value of debt service savings must be 3% or more of the principal amount of the refunding bonds to be issued.

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.

Debt Responsibility Measures						
FY 2008	**Costs Of Issuance Limit .5% [BABs 1%]**	**Capitalized Interest**	**Within Maximum Maturity**	**Negotiated v. Competitive**	**Level principal**	**Annual maturity/ mandatory redemption**
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	√	√
FY 2010						
G.O. September 2009 $400 million	0.45%	no	√	Competitive	√	√
Build IL December 2009 Series A $155 million	0.47%	no	√	Competitive	√	√
Build IL December 2009 Series B $375 million	0.40%	no	√	Negotiated	√	√
GO Pension Obligation Notes January 2010 $3.466 billion	0.42%	no	√	Negotiated	√	√
GO Build America Bonds (February) 2010-1 $1.0 billion	0.58%	no	√	Negotiated	√	√
GO Refunding March 2010 $1.5 billion	0.44%	yes excluded	√	Negotiated	excluded	√
GO Short Term Borrowing April 2010 $246 million	currently not available	no	√	Competitive	n/a	n/a
GO Build America Bonds (April) 2010-2 $356 million	currently not available	no	√	Competitive	√	√
GO Build America Bonds (April) 2010-3 $700 million	deal not finalized					

DEBT MANAGEMENT

- **Summary of State-Supported Bond Debt**
- **Bond Authorization**
- **Bond Sales**
- **Outstanding Debt**
- **Debt Service**
- **Recent Illinois Ratings History**
- **Debt Comparisons: Illinois v. Other States**

Summary of State Supported Bond Debt

State Supported bond debt can be divided into three categories: general obligation debt backed by the full faith and credit of the State, State-issued revenue debt supported by dedicated tax revenues or lease payments, and locally-issued revenue debt supported by the pledge of State taxes or lease payments. Bonds are sold to provide funds either for projects or to refund previously issued bonds.

The State issues General Obligation bonds for its continuing capital program that began in FY 1971. Bond proceeds are distributed under categories for capital facilities, anti-pollution, coal and energy development, school construction, and transportation projects—roads and bridges, mass transit, rail and aviation.

Bonds secured by dedicated tax revenues are issued by the State for the Build Illinois program and for civic centers. The Build Illinois program uses bond proceeds for infrastructure and transportation, educational purposes, environmental protection and economic development. Civic Center bond proceeds were used to pay for construction of civic center related projects or for debt service on construction projects and improvements from bonds issued by local civic center authorities. There have been no new project Civic Center bonds issued since FY 1992.

Certificates of participation (COPs) have been authorized and issued by the State and its agencies to finance the lease/purchase of equipment and the lease/purchase of facilities. Beginning in FY 2005, P.A. 93-0839 eliminated the issuance of COPs unless they were authorized by law. This report does not include State-issued COPs.

Locally-issued revenue bonds supported by State revenue include those issued by the Metropolitan Pier and Exposition Authority (McCormick Place and Navy Pier), the Illinois Sports Facilities Authority (U.S. Cellular Field and Soldier Field), the Regional Transportation Authority (Strategic Capital Improvement Bonds for its Service Boards: the Chicago Transportation Authority, Metra and Pace), the Springfield Airport Authority, and the City of Collinsville (State Office Building). The Springfield Airport Authority bonds were paid off in FY 2003, while the City of Collinsville bonds were paid off in FY 2006.

The following section looks at various debt-related statistics in an attempt to explain what has occurred in this area and what direction the State's bonding programs may take in the future.

Bond Authorization

General Obligation Bonds

General Obligation bonds are seen 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 and Pension Obligation Bonds. 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 5: GENERAL OBLIGATION AUTHORIZATION LEVELS

(in billions)	New Projects	Tobacco* Securitization	Pension Systems	Medicaid† Enhancement	Subtotal	Refunding	Total
May 2000	$14.198	N/a	N/a	N/a	**$14.198**	$2.84	**$17.037**
June 2001	$15.265	N/a	N/a	N/a	**$15.265**	$2.84	**$18.104**
June 2002	$16.908	$0.750	N/a	N/a	**$17.658**	$2.84	**$20.497**
April 2003	$16.908	$0.750	$10.000	N/a	**$27.658**	$2.84	**$30.497**
January 2004	$16.927	$0.750	$10.000	N/a	**$27.677**	$2.84	**$30.516**
January 2009	$16.962	$0.750	$10.000	N/a	**$27.712**	$2.84	**$30.551**
April 2009	$19.962	$0.750	$10.000	N/a	**$30.712**	$3.84	**$34.551**
July 2009	$22.771	$0.750	$13.466	N/a	**$36.987**	$4.84	**$41.826**
March 2010	$22.771	$0.750	$13.466	$0.250	**$37.237**	$4.84	**$42.076**

† The Medicaid Enhancement Funding is allowed only in FY 2010 and must be repaid within one year.

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

- General Obligation bond authorization for projects was increased in Public Acts 96-0005 and 96-0036 by $5.808 billion:
  - Capital Facilities — $648 million
  - School Construction — $420 million
  - Anti-Pollution — $105 million
  - Transportation A (roads/bridges) — $2 billion
  - Transportation B (rail & mass transit) — $1.6 billion
  - Transportation B (airports) — $20 million
  - Transportation D (local govt. roads/bridges) — $1.015 billion

- Public Act 96-0885 adds G.O. authorization of $250 million for Medicaid Enhancement Funding. Proceeds from the sale are used to make deposits into the Healthcare Provider Relief Fund for the exclusive purpose of funding Medicaid services subject to the enhanced federal participation due to expire on December 31, 2010.

- Public Act 96-0037 included additional uses that would be allowed under the General Obligation Bond Act. Capital Facilities bonds with a maximum maturity of 10 years could be used for costs associated with the purchase and implementation of information technology, including the purchase of hardware and software. The new Transportation D category of G.O. bonds, which is used for State and local highways and for grants to local governments, may be used for planning, engineering, acquisition, construction, reconstruction, development, improvement, extension, and all construction-related expenses of the public infrastructure and other transportation improvement projects which are related to economic development in the State of Illinois.

- Public Act 96-0018 increased the authorization of General Obligation Refunding Bonds by $2 billion to allow for the restructuring of approximately $2.2 billion in G.O. and Build Illinois debt. The Governor's Office of Management and Budget had planned to save approximately $561 million in FY 2010 by structuring no amortization for the first two fiscal years on the new bonds. This was declared unconstitutional by the Attorney General under Article IX Section 9(e) of the State Constitution. The refunding bond sale did occur in March 2010, but would save only $30 million in FY 2010 and in FY 2011.

- Public Act 96-0043 raised General Obligation bond authorization by $3.466 billion for five-year Pension Obligation Notes. Proceeds from the sale of the Notes will be used to comprise the GRF portion of the State's contribution to the five pension systems in FY 2010. In the event that a portion of the bonds cannot be sold, the State contributions will be increased by an amount necessary to offset the unsold bond amount. The legislative intent of the Act is for all of the operating funds freed up by the bond sale to be used to fund programs and services provided by community-based human services providers.

- Public Act 96-0828 allows for the State to sell Build America Bonds (BABs) under the General Obligation and Build Illinois Acts, and Qualified School Construction Bonds under the General Obligation Bond Act. The cost of issuance allowed under these Acts is increased to 1.0% of the bond sale for these two types of bonds.

  Build America Bonds are available for any projects for which states and municipalities could currently issue tax-exempt bonds. The Federal government provides significant financial support to State and local governments through the federal tax exemption for interest on municipal bonds. Because the market for tax credits is currently small given current economic conditions, these bonds allow the

State or local government to elect to receive a direct payment from the Federal government equal to the subsidy that would have otherwise been delivered through the Federal tax credit for bonds. Up to 35% percent of the debt service is available in the form of a federal tax credit. This federal assistance program was initially allowed for 2009 and 2010, only, but federal legislation has been introduced that could extend the program through 2013.

Qualified School Construction Bonds are tax credit bonds for the construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed. There is a national limitation on the amount of qualified school construction bonds that may be issued by State and local governments of $22 billion ($11 billion allocated initially in 2009 and the remainder allocated in 2010). The City of Chicago School District 299 is allocated $254,250,000 in 2009, while the rest of Illinois' allocation is $244,435,000.

Up to 100 percent of the interest can be paid in the form of a federal tax credit. Allocations of the national limitation of qualified school construction bonds are divided between the States and certain large school districts. The States receive 60 percent of the national limitation for a calendar year and the remaining 40 percent of the national limitation for a calendar year is allocated to certain large local educational agencies. Qualified school construction bonds must meet the following three requirements:

- 100% of the available project proceeds of the bond issue is used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a bond-financed facility is to be constructed;
- The bond is issued by a State or local government within which such school is located; and
- The issuer designates such bonds as a qualified school construction bond.

- The current General Obligation bond authorization for new projects is $22.77 billion, with approximately $6.23 billion remaining unissued as of March 31, 2010. Almost every category of General Obligation bond authorization was increased except for Coal and Energy Development, which has enough authorization for projects appropriated. As the following table shows, although authorization was increased, it was not enough to cover all appropriations through FY 2010. Future increases in authorization will be required to pay for all of the FY 2010 appropriations.

TABLE 6: STATUS OF G.O. AND STATE-ISSUED REVENUE BONDS as of March 31, 2010				
(in billions)	Authorization	Un-Issued	Appropriated†	Available after appropriations
Capital Facilities	$7.968	$1.005	$10.166	-$2.198
School Construction	$3.570	$0.604	$4.700	-$1.130
Anti-Pollution	$0.585	$0.126	$0.711	-$0.126
Transportation A	$5.432	$1.432	$4.254	$1.178
Transportation B	$3.502	$1.643	$5.842	-$2.340
Transportation D	$1.015	$0.848	$3.554	-$2.539
Coal & Energy Development	$0.698	$0.572	$0.225	$0.473
SUBTOTAL	**$22.770**	**$6.230**	**$29.452**	**-$6.682**
Tobacco bonds	$0.750	$0.750	$0.000	$0.000
Medicaid Funding Series	$0.250	$0.250	$0.250	$0.000
Pension bonds	$13.466	$0.000	$13.466	$0.000
TOTAL	**$37.236**	**$7.230**	**$43.168**	**-$6.682**
	Limit	**Un-Issued**	**Outstanding**	**Available**
Refunding°	$4.839	$1.723	$3.116	$1.723
	Authorization	**Un-Issued**	**Appropriated†**	**Available after appropriations**
Build Illinois	$4.616	$0.702	$6.507	-$1.891
	Limit	**Un-Issued**	**Outstanding**	**Available**
Build IL Refunding	Unlimited	Unlimited	$0.591	Unlimited
	Authorization	**Un-Issued**	**Outstanding**	**Available**
Civic Center	$0.200	$0.151	$0.049	0.151
	Limit	**Un-Issued**	**Outstanding**	**Available**
Civic Center Refunding	Unlimited	Unlimited	$0.042	Unlimited
Source: Illinois Office of the Comptroller, "Recap of General and Special Obligation Bonded Indebtedness and Update of Comparisons of General and Special Obligation Bond Activity"				

†Includes cumulative expenditures for prior years up through FY 2010 appropriations and reappropriations.

°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.

State-Issued Revenue Bonds

Build Illinois authorization was increased by $810 million by Public Act 96-0036. Total Build Illinois bond authorization equals $4.616 billion with $702 million remaining unissued as of March 31, 2010. There is no refunding limit placed on Build Illinois bonds.

TABLE 7: 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
2009	96-0036	$810.0

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.

Authorization for Civic Center bonds is limited to $200 million of new project bonds outstanding at one time. Refunding authorization is unlimited. Since October 1991, no applications have been approved and no new funding has been issued. Civic Center Authorization available, as of February 28, 2010, is $151 million.

Locally-Issued Revenue Bonds

MPEA: In August 2001, the Legislature increased authorization for the Metropolitan Pier and Exposition Authority by $800 million for another expansion of McCormick Place. These bonds were issued July 2, 2002. The MPEA has an unissued authorization level of $0.9 million. **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.** If allowed to refund, the MPEA could watch the markets for a lower interest rate. This combined with the extension and restructuring of debt service payments would give them breathing room to cover the debt service being paid back by local taxes, even if they under-perform in the future. The MPEA would also like to raise authorization for somewhere between $150 to $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.

RTA: The RTA has bonds supported by state funding called Strategic Capital Improvement Project (SCIP) bonds. The RTA was given authorization of $1.3 billion for the SCIP II bond program, as a part of the Illinois First program, with approximately $260 million of authorization remaining. Due to $117.0 million in premiums received from previous SCIP II bond sales, the Administration had discussed the possibility of lowering the remaining amount allowed to be issued to $143 million. After negotiations occurred between the Administration and the RTA for the FY 2007 budget, PA 94-0839 was passed which allowed the RTA to spend the proceeds of SCIP bonds issued, rather than just the authorization level, to take advantage of the premiums received on SCIP bonds in earlier fiscal years due to the strong bond market. The Authority sold $250 million of bonds in FY 2007, leaving approximately $10 million in authorization. The RTA will not be requesting an increase in authorization at this time.

ISFA: In FY 2001, the General Assembly increased bonding authorization for the Illinois Sports Facilities Authority (ISFA) Act by $399 million to finance renovations for the Chicago Bears Stadium at Soldier Field and related lakefront improvements. The bonds were issued in October of 2001. According to the ISFA, they have approximately $88.8 million of unissued authorization.

Bond Sales

The following table provides information on General Obligation and State-issued bond sales that have occurred for FY 2009 and year-to-date for FY 2010.

TABLE 8:	BOND SALES ($ In Millions)			
FY 2009				
Type of Bond	**Issuance**	**Amount**	**Competitive or Negotiated**	**Purpose**
G.O. Certificates	December 2008	$1,400	Competitive	Short-Term Borrowing
General Obligation	April 2009	$150	Competitive	Project Funding
G.O. Certificates	May 2009	$1,000	Competitive	Short-Term Borrowing
	Total	**$2,550**		
FY 2010 year-to-date				
Type of Bond	**Issuance**	**Amount**	**Competitive or Negotiated**	**Purpose**
G.O. Certificates	August 2009	$1,250	Competitive	Short-Term Borrowing
General Obligation	September 2009	$400	Competitive	Project Funding
Build Illinois	December 2009	$155	Competitive	Project Funding
Build Illinois	December 2009	$325	Negotiated	Project Funding
G.O. Pension Notes	January 2010	$3,466	Competitive	Pension Funding
General Obligation	February 2010	$1,000	Negotiated	Project Funding
General Obligation	March 2010	$1,501	Negotiated	Refunding
General Obligation	April 2010	$246	Competitive	Short-Term Borrowing
General Obligation	April 2010	$356	Competitive	Project Funding
General Obligation	April 2010	$700	Negotiated	Project Funding
	Total	**$9,403**		

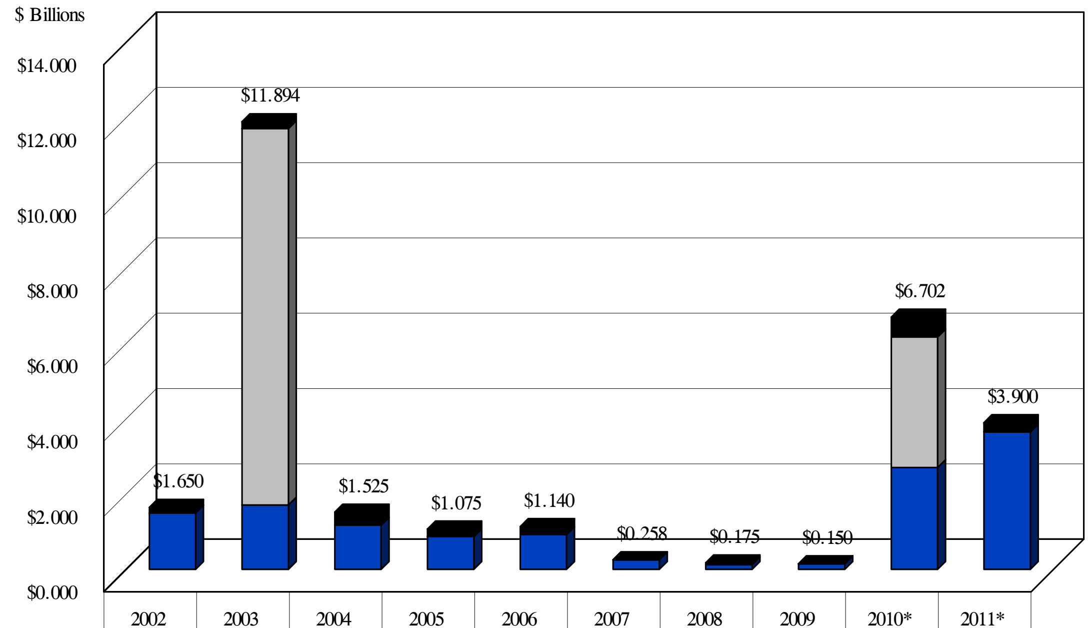
The State has sold $1.4 billion in G.O. bonds, $480 million of Build Illinois Bonds, and $3.4 billion of Pension Notes since the beginning of FY 2010. Approximately $1.5 billion in G.O. bonds have also been refunded. The Governor's Office of Management and Budget has sold $356 million in G.O. bonds for school construction and will sell another $700 million for transportation projects in April 2010. The State sold $246 million of short-term G.O. bonds for Medicaid provider bills in April 2010.

The Governor has alluded to some additional types of borrowing that could help with the State's budget deficit for FY 2010 through FY 2011. These include: more short-term borrowing, additional pension notes for a term of 10 years, and possible securitization of tobacco settlement revenues. Legislation would have to be approved to allow for either pension notes or tobacco securitization to occur.

Chart 6

STATE-SUPPORTED BOND SALES

(Excludes Refunding and Short-Term Borrowing)



	2002	2003	2004	2005	2006	2007	2008	2009	2010*	2011*
State Issued Rev	$0.150	$0.182	$0.350	$0.200	$0.215	$0.000	$0.050	$0.000	$0.530	$0.250
Pension Obligation		$10.000							$3.466	
General Obligation	$1.500	$1.712	$1.175	$0.875	$0.925	$0.258	$0.125	$0.150	$2.706	$3.650

General Obligation Pension Obligation State Issued Rev

Source: Governor's Office of Management and Budget

Chart 6 shows the level of general obligation bond and State-issued revenue bond sales from FY 2002 through estimated FY 2011. In FY 2003 $10 billion in Pension Obligations bonds were sold, while General Obligation project bonds were at their highest of $1.712 billion. While G.O. sales increased up through FY 2003, they began to decline after that record year due to no new authorization and the lack of any bond funded capital appropriations since FY 2004. Build Illinois issuances reached $350 million in FY 2004, and remained above the $200 million mark through FY 2006.

In FY 2007, General Obligation bond sales declined to $258 million and the FY 2008 issuance of $125 million of G.O. bonds was the lowest since FY 1990. FY 2009 remained low with a single $150 million issuance. There were no Build Illinois bond sales in FY 2007 and FY 2009, and the $50 million issuance in FY 2008 was the lowest dollar amount issuance since FY 1998.

For FY 2010, the $31 billion Illinois Jobs Now capital plan was approved and authorization for both G.O. and Build Illinois bonds was increased allowing for the issuance of new project bonds. Legislation also passed for the sale of $3.466 billion in Pension Obligation notes which were sold in January 2010. Bond authorization increases passed do not cover the entire capital plan. Funding is also an issue where lottery and video gaming won't bring revenues in for months or even years.

Locally-Issued Revenue Bonds

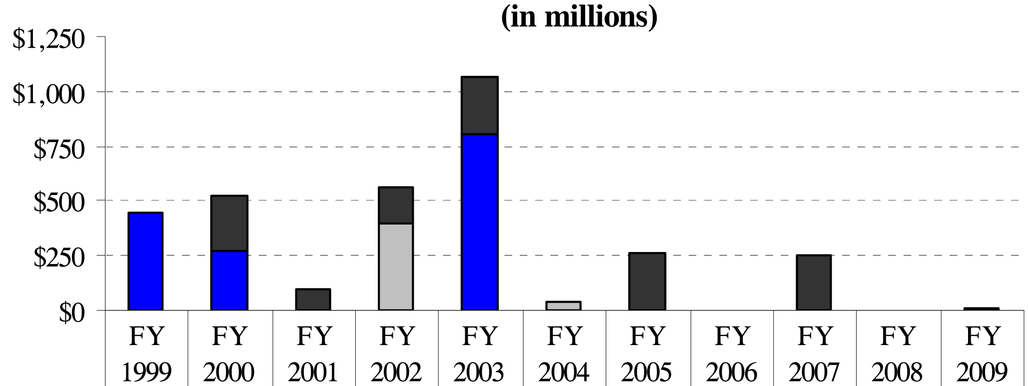
Metropolitan Pier and Exposition Authority: In 2001 the State increased the MPEA's bonding authorization by $800 million. Expansion bonds were sold July 2, 2002 in the amount of $802 million. Other issuances in FY 2003 and FY 2004 were refundings of $285.7 million and $42.5 million respectively. There have been no issuances since FY 2005.

Regional Transportation Authority: The RTA sold $260 million in Strategic Capital Improvement Project (SCIP) bonds in FY 2005 and $250 million in FY 2007. The FY 2007 SCIP bond sale depleted the $1.3 billion in authorization granted under the Illinois FIRST program.

Illinois Sports Facilities Authority: The November 2000 General Assembly passed an increase in authorization of $399 million for the Illinois Sports Facilities Authority. In October of 2001 the ISFA sold the $399 million in new bonds for the renovation of Soldier Field and related lakefront property. The Authority issued project bonds in FY 2004 in the amount of $42.5 million for U.S. Cellular Field renovations. In December 2009, the Authority issued $10 million in bonds to finance the redevelopment of the 35th Street infrastructure. The project consisted of the demolition of ramps replaced by elevators and escalators for public access.

CHART 7

LOCALLY-ISSUED REVENUE BOND SALES
(in millions)



	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
RTA	$0	$260	$100	$160	$260	$0	$260	$0	$250	$0	$0
ISFA	$0	$0	$0	$399	$0	$43	$0	$0	$0	$0	$10
MPEA	$444	$268	$0	$0	$802	$0	$0	$0	$0	$0	$0

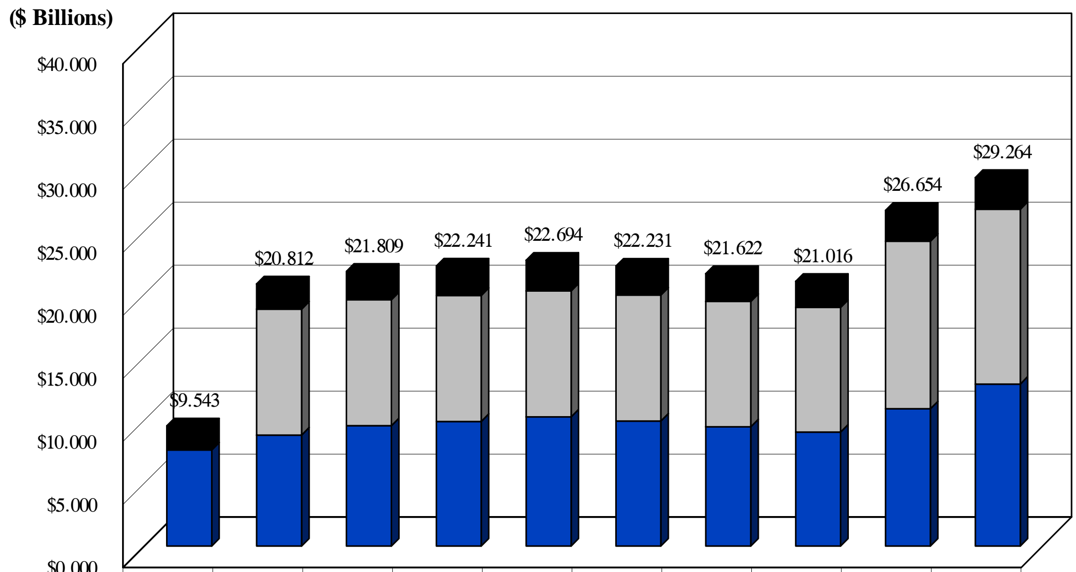
MPEA ISFA RTA

The ISFA and RTA do not expect to issue any bonds in FY 2010. The MPEA is requesting an authorization increase for project bonds, and would also like to make changes to allow for an extended refunding maturity to restructure their debt.

Outstanding Debt

Chart 8

STATE-SUPPORTED PRINCIPAL OUTSTANDING



	2002	2003	2004	2005	2006	2007	2008	2009	2010*	2011*
State-Issued Revenue	$1.913	$1.999	$2.253	$2.348	$2.443	$2.305	$2.209	$2.064	$2.444	$2.520
Pension		$10.000	$10.000	$10.000	$10.000	$10.000	$9.950	$9.900	$13.316	$13.879
General Obligation	$7.630	$8.813	$9.556	$9.893	$10.251	$9.926	$9.463	$9.052	$10.894	$12.865

General Obligation | Pension | State-Issued Revenue

Sources: Governor's Office of Management and Budget

State-Issued Principal Outstanding

In FY 2006 principal outstanding for all State Supported debt was at its highest level at approximately $22.7 billion. From FY 2007 to FY 2009, principal outstanding decreased by $1.678 billion, to $21.016 billion. This decline was due to lack of bond issuance and the payment of debt service. Bonds sold over the FY 2007-FY 2009 period equaled $583 million, while bonds sold over the previous three-year period, FY 2004-FY 2006, equaled $3.7 billion. Any bond issuances over the past few years were made to pay for appropriated projects from previous years. The State made its required debt service payments on General Obligation and State-Issued Revenue bonds, which will have paid down approximately $2.255 billion of principal from FY 2007 to FY 2009.

Principal Outstanding increased in FY 2010 due to bond sales for the Pension Notes and the new Jobs Now capital program. From FY 2011 to FY 2015, principal outstanding will decrease as the debt service on the 2010 Pension Notes pays off $693 million in principal annually over the five year life of the Notes.

Locally Issued Revenue Bonds

- Principal outstanding for locally-issued revenue bonds saw growth in FY 2000 due to a McCormick Place expansion bond sale of $444 million, and a $260 million sale by the Regional Transportation Authority--the first of a series of "Strategic Capital Improvement Project II" bond sales authorized through Illinois First.

- In FY 2001, principal outstanding increased due to another McCormick Place expansion bond sale of $268 million and an RTA SCIP sale of $100 million.

- FY 2002 saw the sale of $399 million of Soldier Field renovation bonds through the Illinois Sports Facilities Authority and another $160 million of RTA SCIPs.

- The large increase in FY 2003 comes from an $802 million MPEA expansion project bond sale and an RTA SCIP sale of $260 million.

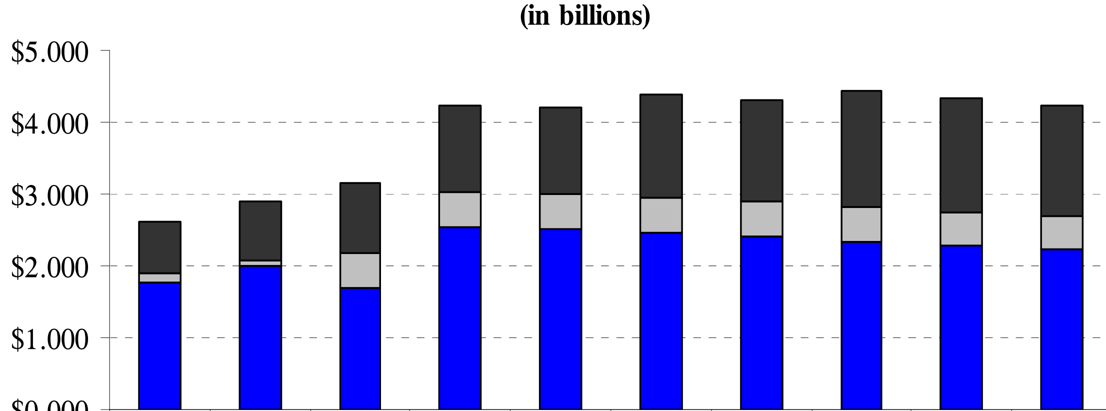
- In FY 2004 the ISFA sold approximately $43 million in new project bonds.

- Increases in FY 2005 and FY 2007 are attributed to the sale of RTA SCIP bonds $260 million and $250 million, respectively.

- With only a $10 million bond sale in FY 2009 by the Illinois Sports Facility Authority, principal outstanding combined for the three Authorities decreased each year over the past two fiscal years by approximately 2.4%, to $4.237 billion in FY 2009.

CHART 9

LOCALLY-ISSUED REVENUE BONDS
PRINCIPAL OUTSTANDING
(in billions)



	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
RTA	$0.733	$0.823	$0.973	$1.218	$1.199	$1.438	$1.409	$1.628	$1.595	$1.557
ISFA	$0.104	$0.088	$0.479	$0.471	$0.504	$0.495	$0.485	$0.474	$0.464	$0.460
MPEA	$1.782	$1.996	$1.695	$2.545	$2.503	$2.450	$2.409	$2.337	$2.283	$2.220

MPEA ISFA RTA

Debt Service

The following section looks at the required debt service levels for the various types of State Supported debt. Debt service can be broken out by how much is paid towards principal each year, and how much is paid in interest. The following sections will show a ten year history for General Obligation, Build Illinois and Civic Center bonds broken out by principal and interest. The General Obligation section also shows Pension Obligation bond debt service, and also breaks out G.O. debt service by funds that pay for it.

General Obligation

G.O. debt service is paid from the General Obligation Bond Retirement and Interest Fund (GOBRI), which receives transfers from the Road Fund for Transportation A/highways and bridges, the School Infrastructure Fund, and the General Revenue Fund. Beginning in FY 2010, for the new capital program, the Capital Projects Fund will also be transferring funds to GOBRI, and when the Capital Projects Fund does not have the funding for debt service for Transportation D projects, then the Road Fund may transfer additional funds for debt service.

The increases in G.O. debt service for the new multi-year capital plan will be paid for by increases in Road Fund transfers and transfers from the newly created Capital Projects Fund.

TABLE 9: GENERAL OBLIGATION DEBT SERVICE BY FUND						
($ Millions)	FY 2009 Amount	FY 2009 % of Total	FY 2010 Amount*	FY 2010 % of Total	FY 2011 Amount*	FY 2011 % of Total
Road Fund	$253	21.8%	$256	22.6%	$359	27.6%
Trans D - Road Fund	n/a	n/a	$0	0.0%	$13	1.0%
School Infrastructure Fund	$223	19.2%	$229	20.2%	$205	15.8%
Capital Projects Fund	n/a	n/a	$0	0.0%	$74	5.7%
General Revenue Fund	$684	59.0%	$648	57.2%	$650	49.9%
SUBTOTAL	**$1,160**	**100.0%**	**$1,133**	**100.0%**	**$1,302**	**100.0%**
General Revenue Fund for 2003 POBs	$467	85.6%	$465	85.6%	$464	34.5%
Other Funds for 2003 POBs** (per SERS' certification)	$78	14.4%	$78	14.4%	$78	5.8%
GRF for 2010 PONs					$803	59.7%
SUBTOTAL	**$545**	**100.0%**	**$544**	**100.0%**	**$1,344**	**100.0%**
GRAND TOTAL	**$1,705**		**$1,677**		**$2,646**	

* GOMB estimated amounts based on the presented FY 2011 Budget

** 2003 POB debt service amounts between GRF and Other Funds are estimated based on past percentages.

Table 9 shows the 2003 Pension obligation notes are paid for by GRF after the required collection of a portion of various funds used for employer contributions as specified in Public Act 93-0839. This change 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.

Table 10 shows the break out of debt service for both the 2003 Pension Obligation Bonds and the 2010 Pension Obligation Notes.

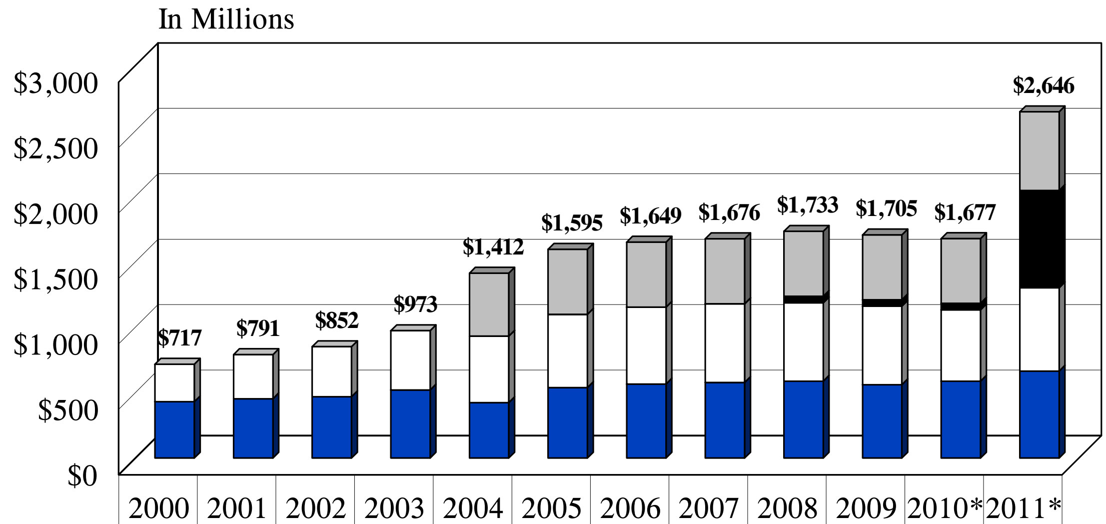
TABLE 10:	COMBINED DEBT SERVICE OF 2003 PENSION OBLIGATION BONDS AND 2010 PENSION OBLIGATION NOTES								
	FY2003 $10 BILLION PENSION OB BONDS			FY 2010 $3.466 BILLION PENSION OB NOTES			COMBINED TOTALS		
Fiscal Year as of June 30	2003 Principal	2003 Interest	2003 POB Total	2010 Principal	2010 Interest	2010 PON Total	Total Principal	Total Interest	Grand Total
FY 2004	$0	$481,038,333	**$481,038,333**				**$0**	**$481,038,333**	**$481,038,333**
FY 2005	0	496,200,000	**$496,200,000**				**$0**	**$496,200,000**	**$496,200,000**
FY 2006	0	496,200,000	**$496,200,000**				**$0**	**$496,200,000**	**$496,200,000**
FY 2007	0	496,200,000	**$496,200,000**				**$0**	**$496,200,000**	**$496,200,000**
FY 2008	50,000,000	496,200,000	**$546,200,000**				**$50,000,000**	**$496,200,000**	**$546,200,000**
FY 2009	50,000,000	494,950,000	**$544,950,000**				**$50,000,000**	**$494,950,000**	**$544,950,000**
FY 2010	50,000,000	493,550,000	**$543,550,000**				**$50,000,000**	**$493,550,000**	**$543,550,000**
FY 2011	50,000,000	491,900,000	**$541,900,000**	$693,200,000	$109,277,049	**$802,477,049**	**$743,200,000**	**$601,177,049**	**$1,344,377,049**
FY 2012	100,000,000	490,125,000	**$590,125,000**	$693,200,000	$101,061,628	**$794,261,628**	**$793,200,000**	**$591,186,628**	**$1,384,386,628**
FY 2013	100,000,000	486,375,000	**$586,375,000**	$693,200,000	$81,887,716	**$775,087,716**	**$793,200,000**	**$568,262,716**	**$1,361,462,716**
FY 2014	100,000,000	482,525,000	**$582,525,000**	$693,200,000	$58,866,544	**$752,066,544**	**$793,200,000**	**$541,391,544**	**$1,334,591,544**
FY 2015	100,000,000	478,575,000	**$578,575,000**	$693,200,000	$30,646,372	**$723,846,372**	**$793,200,000**	**$509,221,372**	**$1,302,421,372**
FY 2016	100,000,000	474,525,000	**$574,525,000**				**$100,000,000**	**$474,525,000**	**$574,525,000**
FY 2017	125,000,000	470,175,000	**$595,175,000**				**$125,000,000**	**$470,175,000**	**$595,175,000**
FY 2018	150,000,000	464,737,500	**$614,737,500**				**$150,000,000**	**$464,737,500**	**$614,737,500**
FY 2019	175,000,000	458,212,500	**$633,212,500**				**$175,000,000**	**$458,212,500**	**$633,212,500**
FY 2020	225,000,000	449,550,000	**$674,550,000**				**$225,000,000**	**$449,550,000**	**$674,550,000**
FY 2021	275,000,000	438,412,500	**$713,412,500**				**$275,000,000**	**$438,412,500**	**$713,412,500**
FY 2022	325,000,000	424,800,000	**$749,800,000**				**$325,000,000**	**$424,800,000**	**$749,800,000**
FY 2023	375,000,000	408,712,500	**$783,712,500**				**$375,000,000**	**$408,712,500**	**$783,712,500**
FY 2024	450,000,000	390,150,000	**$840,150,000**				**$450,000,000**	**$390,150,000**	**$840,150,000**
FY 2025	525,000,000	367,200,000	**$892,200,000**				**$525,000,000**	**$367,200,000**	**$892,200,000**
FY 2026	575,000,000	340,425,000	**$915,425,000**				**$575,000,000**	**$340,425,000**	**$915,425,000**
FY 2027	625,000,000	311,100,000	**$936,100,000**				**$625,000,000**	**$311,100,000**	**$936,100,000**
FY 2028	700,000,000	279,225,000	**$979,225,000**				**$700,000,000**	**$279,225,000**	**$979,225,000**
FY 2029	775,000,000	243,525,000	**$1,018,525,000**				**$775,000,000**	**$243,525,000**	**$1,018,525,000**
FY 2030	875,000,000	204,000,000	**$1,079,000,000**				**$875,000,000**	**$204,000,000**	**$1,079,000,000**
FY 2031	975,000,000	159,375,000	**$1,134,375,000**				**$975,000,000**	**$159,375,000**	**$1,134,375,000**
FY 2032	1,050,000,000	109,650,000	**$1,159,650,000**				**$1,050,000,000**	**$109,650,000**	**$1,159,650,000**
FY 2033	1,100,000,000	56,100,000	**$1,156,100,000**				**$1,100,000,000**	**$56,100,000**	**$1,156,100,000**
TOTAL	$10,000,000,000	$11,933,713,333	$21,933,713,333	$3,466,000,000	$381,739,309	$3,847,739,309	$13,466,000,000	$12,315,452,642	$25,781,452,642

Chart 10 shows General Obligation debt service payments broken out by project versus Pension Obligation Bond principal and interest.

Chart 10

GENERAL OBLIGATION DEBT SERVICE

Project v. 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	$601
POB Principal					$0	$0	$0	$0	$50	$50	$50	$743
Project Interest	$287	$337	$383	$453	$508	$561	$588	$602	$599	$599	$546	$637
Project Principal	$431	$454	$469	$520	$424	$538	$565	$578	$588	$561	$588	$665

Project Principal | Project Interest | POB Principal | POB Interest

* Governor's Office of Management and Budget estimates.

The State will pay $1.677 billion in General Obligation debt service in FY 2010. Of that amount $588 million was for principal on project bonds and $546 million was for interest. The remaining $543 million will pay for the 2003 Pension Obligation bonds consisting of $494 million in interest and $50 million in principal. General Obligation debt service to be paid in FY 2011 will increase to $2.646 billion, mainly because of the debt service to be paid on the $3.477 billion five-year Pension Notes. Principal of $693 million for the Notes would be added to the $50 million in principal for the POBs, while $109 million in interest for the Notes would be added to $492 million in interest for the POBs.

The State made its first principal payment on the 2003 Pension Obligation Bonds in FY 2008. Payments on principal will begin at $50 million and increase to $1.1 billion in FY 2033, while interest payments decrease from early highs of up to $496 million down to $56 million by FY 2033. The Pension Notes will be paid off in five years, beginning in FY 2011, with payments of principal annually of $693 million and interest starting at $109 million that decrease to $31 million in the final year.

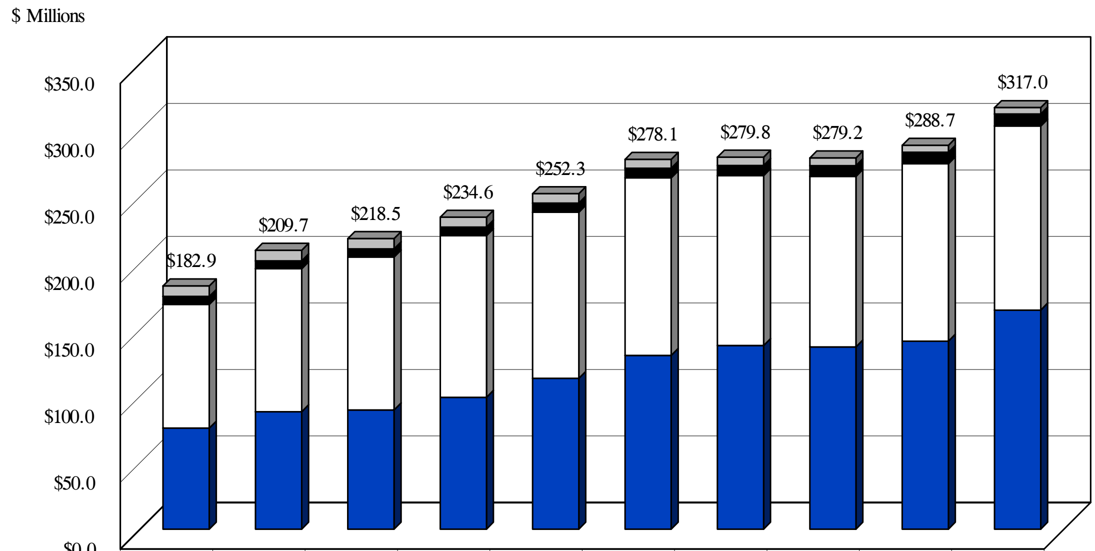
State-Issued Revenue Bonds

State-issued revenue bonds currently outstanding include Build Illinois and Civic Center bonds. Total debt service costs for the remaining bonds outstanding in this category are shown in Chart 11. Debt service from 2007 through 2009 remained steady at under $280 million annually. In FY 2010 and FY 2011, debt service will increase due to the Build Illinois bonds to be sold for projects appropriated in the FY 2010 capital plan.

Chart 11

STATE-ISSUED REVENUE DEBT SERVICE

Principal and Interest



	2002	2003	2004	2005	2006	2007	2008	2009	2010*	2011*
CC Interest	$7.9	$8.0	$7.7	$7.4	$7.1	$6.7	$6.2	$5.8	$5.3	$4.8
CC Principal	$5.9	$5.9	$6.2	$6.5	$6.8	$7.2	$7.6	$8.1	$8.6	$9.1
BI Interest	$93.1	$107.5	$115.0	$121.5	$125.0	$133.5	$127.8	$128.2	$133.4	$138.3
BI Principal	$76.0	$88.4	$89.7	$99.2	$113.4	$130.7	$138.1	$137.1	$141.4	$164.8

BI Principal   BI Interest   CC Principal   CC Interest

Source: Governor's Office of Management and Budget

Build Illinois. These bonds comprise the majority of debt service costs for the State-issued revenue bonds. The slight decline in debt service is due to lower issuance of Build Illinois bonds since FY 2007. No Build Illinois bonds were sold in FY 2007 and FY 2009, and only $50 million were sold in FY 2008. Bond sales are estimated to be $530 million in FY 2010 and $250 million in FY 2011. This will increase debt service by $9 million in FY 2010 and another $28 million in FY 2011.

Civic Center. The State refunded $48.6 million of Series 1990A and $0.7 million of Series 1990B Civic Center bonds in FY 2001 to lower debt service costs through the year 2016. Because these bonds were issued using a level debt service repayment structure, annual debt service costs will remain at approximately $13.9 million annually through FY 2016, and then increase to $14.4 million through FY 2020.

P.A. 94-0839 allowed the transfer of the remaining balance in the Illinois Civic Center Bond Fund to the Illinois Civic Center Bond Retirement and Interest Fund. The Illinois Civic Center Bond Fund has not been appropriated since FY 2004, and has had no activity since FY 2001. The fund's balance of $177.5 thousand can be transferred to finance debt service on the outstanding bonds, ultimately saving GRF. This fund transfer eliminates neither the Illinois Civic Center Bond Fund itself nor the State's authority to issue civic center bonds. [30 ILCS 105/8g(ee)]

Locally-Issued Revenue Bonds

The MPEA's Dedicated State Tax Revenue bonds get transfers from the Build IL Fund for annual debt service. The McCormick Place Expansion Bonds are paid for from Chicago-related taxes, but there is a back up pledge of State sales tax in the case they are needed. The MPEA has borrowed from, but paid back, the back-up fund from FY 2004 to FY 2008. In FY 2009, the MPEA borrowed from the State back-up pledged but was unable to pay back $18.8 million of the amount. As Expansion Bond debt service increases through FY 2023, the Authority says it is likely that the draw against the State's sales tax will be required in future years. The MPEA has been in discussions with the Governor's Office of Management and Budget and the Legislative staffs about restructuring future MPEA Expansion debt to address the MPEA's tax collection shortfalls, but legislation to remedy this situation has failed to pass over the past few years [See MPEA section on page 24].

The State pays debt service on RTA Strategic Capital Improvement Project bonds. There are two issues with the timing of debt service payment on the bonds. First, it takes the State's Executive Branch five months from the beginning of the fiscal year to approve the grant for the annual payment. Additionally, once the SCIP requisition is submitted, it usually takes another month for the payment to be made. In the meantime, the RTA must dip into its reserves to pay the amount and basically wait for the "reimbursement" from the State. Due to the State's financial condition, the SCIP requisitions are usually not paid for four to six months after the date of submission. In FY 2010, a five month delay accumulates to $50 million.

The Illinois Sports Facilities Authority has reported that they have no issues covering their expected $28.5 million debt service payment in FY 2009.

TABLE 11: LOCALLY-ISSUED REVENUE BOND DEBT SERVICE HISTORY

		FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	est. FY 2010
MPEA Dedicated Bonds	PRINCIPAL	$13,785,000	$14,645,000	$16,061,317	$15,059,374	$17,595,000	$18,715,000	$19,920,000	$21,170,000	$22,515,000	$24,015,000
	INTEREST	$17,807,075	$16,985,138	$15,530,000	$16,545,000	$13,994,211	$12,861,241	$11,687,366	$10,433,248	$9,055,190	$7,585,090
	TOTAL	**$31,592,075**	**$31,630,138**	**$31,591,317**	**$31,604,374**	**$31,589,211**	**$31,576,241**	**$31,607,366**	**$31,603,248**	**$31,570,190**	**$31,600,090**
MPEA Expansion Bonds	PRINCIPAL	$13,965,000	$18,670,000	$23,885,000	$28,710,000	$35,110,000	$23,695,000	$51,525,000	$37,205,000	$44,825,000	$55,340,000
	INTEREST	$66,031,185	$65,324,862	$65,100,938	$64,277,983	$60,132,941	$78,296,113	$56,458,162	$88,785,264	$87,171,260	$83,652,267
	TOTAL	**$79,996,185**	**$83,994,862**	**$88,985,938**	**$92,987,983**	**$95,242,941**	**$101,991,113**	**$107,983,162**	**$125,990,264**	**$131,996,260**	**$138,992,267**
ISFA	PRINCIPAL	$7,825,000	$8,140,000	$8,465,000	$8,805,000	$9,245,000	$10,070,000	$10,620,000	$11,341,388	$12,906,033	$14,760,316
	INTEREST	$4,526,050	$10,552,481	$13,279,200	$14,633,478	$14,909,189	$14,446,939	$13,952,746	$13,473,743	$13,542,783	$13,744,035
	TOTAL	**$12,351,050**	**$18,692,481**	**$21,744,200**	**$23,438,478**	**$24,154,189**	**$24,516,939**	**$24,572,746**	**$24,815,131**	**$26,448,816**	**$28,504,351**
RTA SCIP I	PRINCIPAL	$9,775,000	$9,900,000	$10,460,000	$11,175,000	$12,005,000	$12,735,000	$13,625,000	$14,575,000	$15,620,000	$16,650,000
	INTEREST	$29,228,000	$28,672,000	$28,116,000	$27,414,000	$26,662,000	$25,816,000	$24,950,000	$24,026,000	$23,023,000	$21,943,000
	TOTAL	**$39,003,000**	**$38,572,000**	**$38,576,000**	**$38,589,000**	**$38,667,000**	**$38,551,000**	**$38,575,000**	**$38,601,000**	**$38,643,000**	**$38,593,000**
RTA SCIP II	PRINCIPAL	$0	$0	$5,030,000	$7,530,000	$9,450,000	$16,280,000	$17,050,000	$18,995,000	$22,285,000	$23,525,000
	INTEREST	$9,231,000	$20,931,000	$29,387,000	$41,870,000	$55,271,000	$58,836,000	$61,080,000	$69,361,000	$68,293,000	$67,105,000
	TOTAL	**$9,231,000**	**$20,931,000**	**$34,417,000**	**$49,400,000**	**$64,721,000**	**$75,116,000**	**$78,130,000**	**$88,356,000**	**$90,578,000**	**$90,630,000**
TOTAL	PRINCIPAL	$45,350,000	$51,355,000	$63,901,317	$71,279,374	$83,405,000	$81,495,000	$112,740,000	$103,286,388	$118,151,033	$134,290,316
	INTEREST	$126,823,310	$142,465,481	$151,413,138	$164,740,461	$170,969,341	$190,256,293	$168,128,274	$206,079,255	$201,085,233	$194,029,392
	GRAND TTL	$172,173,310	$193,820,481	$215,314,455	$236,019,835	$254,374,341	$271,751,293	$280,868,274	$309,365,643	$319,236,266	$328,319,708

Recent Illinois Ratings History

Currently Illinois is on a negative watch at all three rating agencies. With the unveiling of Illinois' budget deficit, and three bond sales totaling $1.3 billion set for April, the rating agencies are watching the State very carefully to decide on whether to further downgrade the G.O. bond ratings:

> **FITCH**—"*The negative watch …will be resolved after an assessment of the extent to which the state addresses its funding imbalances in the context of the legislative session that begins in February…*"
>
> **S&P**—"*The absence of recurring solutions in the next year to deal with the current budget challenges and begin to stabilize liquidity will likely result in a further downgrade of Illinois…*"
>
> **MOODY'S**—"*Failure to enact corrective fiscal measures in coming months will exacerbate the state's structural gap going into fiscal 2011 and place downward pressure on the state's ratings.*"

TABLE 12: RATING AGENCIES	ILLINOIS GENERAL OBLIGATION BOND RATINGS July 1997	June 1998	June 2000	May 2003	Dec 2008	Mar-July 2009	Dec 2009	March 2010	MAXIMUM RATING
Fitch Ratings	AA	AA	AA+	AA	AA-	A	A	A-/A+*	AAA
Standard & Poor's	AA	AA	AA	AA	AA	AA-	A+	A+	AAA
Moody's	Aa3	Aa2	Aa2	Aa3	Aa3	A1	A2	A2	Aaa/Aa1

*Fitch recalibrated its Municipal Bond ratings to be on a scale with its global ratings, thereby moving Illinois back up to A+

Current Illinois General Obligation Bond Downgrades:

FITCH	**December 2008**	**↓ 1x**	**AA-**
	July 2009	**↓ 2x**	**A**
	March 2010	**↓ 1x**	**A-**
	March 2010	**recalibration**	**A+**

"The rating downgrade reflects the magnitude and persistent nature of the state's fiscal problems and the likelihood that the budget to be enacted for fiscal year (FY) 2011 will not sufficiently address either the annual operating deficit or accumulated liabilities. Accounts payable are expected to remain high throughout the next fiscal year and the state expects to use additional deficit borrowing to close its projected budget gap. The Rating Watch Negative will be resolved after an assessment of the extent to which the state addresses its funding imbalances in the context of the current legislative session and the further development of a budget for FY 2011." [The State's rating was recalibrated upward to A+ at the end of March as part of Fitch's nationwide public finance ratings recalibration.]

S&P	**March 2009**	**↓ 1x**	**AA-**
	December 2009	**↓ 1x**	**A+**

"The proposed budget includes no revenue enhancement measures, proposes deep spending cuts, and is highly reliant on debt issuance to address the fiscal 2011

budget gap. The deficits from prior years (fiscal 2008-2010) are carried forward and are not addressed as part of the fiscal 2011 budget… Illinois' lack of recurring solutions to address its sizable budget gap and liquidity weakness could result in a downgrade. We continue to believe that Illinois has the capacity to restore budget balance due to the absence of tax limitations or stringent constitutional or legal requirements related to spending that we see in other states, but its willingness to implement difficult and politically unpopular measures to restore budget balance is questionable, in our view."

MOODY'S	**April 2009**	**↓ 1x**	**A1**
	December 2009	**↓ 1x**	**A2**

"Budgetary measures to address the state's structural imbalance were deferred in anticipation of the state's February 2 primary election, and this delay was a factor in the state's December downgrade. Discussions for the coming fiscal year, 2011, are in progress. Failure to enact corrective measures for fiscal 2011 would widen the state's structural gap and put downward pressure on credit ratings…Passage of such recurring measures may be impeded by election-year politics…Even if measures to start restoring structural balance are passed for fiscal 2011, Illinois is expected to rely heavily on non-recurring measures." [Moody's will be recalibrating its U.S. municipal bond rating scale to align with its global rating scale in the near future, which will recalibrate Illinois' rating upward, but is not considered an upgrade.]

MOODY'S and **S&P** both lowered Illinois' G.O. Certificates ratings (short-term debt) in December and March, respectively (See History section).

State-Backed Debt Downgrades

MOODY'S

- MPEA Expansion Project and Dedicated bonds from A1 to A3;
- Regional Transportation Authority in June one level to Aa3;
- Chicago Transit Authority in September one level to A1;
- Civic Center Program from A1 to A3;
- Illinois Housing Development Authority one level to Aa3; and
- Downgraded ISU, WIU, SIU, EIU, and NIU to A3 due to the State's downgrades.

FITCH

- Illinois Sports Facilities Authority down 2 notches to A- in December 2009 and down one notch to BBB+ in March 2010, which was recalibrated upward to A at the end of March 2010 as part of Fitch's nationwide public finance ratings recalibration.
- RTA down two levels in October 2009 to AA- with a negative watch. "The actual security is a state appropriation pledge, so the downgrade of the state prompted a review of related issues."
- The MPEA was also downgraded in July 2009 from AA- to A+.

S&P

- o Civic Center bonds on negative watch.
- o 7 of 9 State Universities on negative watch list for possible downgrades.
- o The following Authorities were put on negative watch:
  - Illinois Educational Facilities Authority,
  - Illinois Development Finance Authority,
  - Illinois Finance Authority,
  - Illinois Rural Bond Bank,
  - Southwestern Illinois Development Authority, and
  - Upper Illinois River Valley Development Authority

Build Illinois Bonds Downgrade

MOODY'S	April 2009	↓ 1x	A1
	December 2009	↓ 1x	A2

TABLE 13: BUILD ILLINOIS BOND RATINGS			
Rating Agencies	Apr/July 2009	Oct 2009	Dec 2009
Fitch, Inc.	AA	AA	AA
Standard & Poor's	AAA	AAA	AAA
Moody's	Aa3	A1	A2

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.

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."

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. The April 2010 G.O. short-term borrowing will receive a lower SP-1 rating due to worries over the State's cash flow. [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.

Debt Comparisons: Illinois v. Other States

Table 14 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 2009. 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 from 2006 through 2007, and dropped again to 8th in 2008, while the national average was $1,195.

TABLE 14:	NET TAX-SUPPORTED DEBT PER CAPITA					
	2002 (pre POB sale)		2005		2008	
RANK	STATE	PER CAPITA DEBT OUTSTANDING	STATE	PER CAPITA DEBT OUTSTANDING	STATE	PER CAPITA DEBT OUTSTANDING
1	Connecticut	$3,440	Massachusetts	$4,128	Connecticut	$4,490
2	Massachusetts	$3,298	Hawaii	$3,905	Massachusetts	$4,323
3	Hawaii	$3,111	Connecticut	$3,624	Hawaii	$3,675
4	New Jersey	$2,110	New Jersey	$3,276	New Jersey	$3,621
5	New York	$2,095	New York	$2,569	New York	$2,921
6	Delaware	$1,599	**Illinois**	**$2,026**	Delaware	$2,128
7	Rhode Island	$1,508	Delaware	$1,845	Washington	$2,087
8	Washington	$1,507	Washington	$1,684	**Illinois**	$1,877
9	Mississippi	$1,207	California	$1,597	Rhode Island	$1,812
10	Kentucky	$1,095	Wisconsin	$1,437	California	$1,805
11	**Illinois**	**$1,040**				
RANGE	$3,440 to $38 (Nebraska)		$4,128 to $27 (Nebraska)		$4,490 to $17 (Nebraska)	

SOURCE: Moody's State Debt Medians reports from 2003 through 2009.
This table uses a measure created and calculated by Moody's rating agency.

Table 15 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 but still dropped to the 5th highest state with 7.2% of the nation's $360 billion total. In 2006 and 2007, Illinois hovered around the level of 6.5% of the nation's debt, placing it as the 5th highest state in the nation. In 2008, the State was still 5th in the nation, but had lowered its debt by $1.3 billion and held 5.8% of the nation's $417 billion in debt.

TABLE 15:	10 HIGHEST STATES IN NET TAX-SUPPORTED DEBT in billions								
	2002 National Total = $261			2005 National Total = $360			2008 National Total = $416.8		
	2002 (pre POB sale)			2005			2008		
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	$66.4	15.9%
2	California	$28.4	10.9%	New York	$49.5	13.7%	New York	$56.9	13.7%
3	Massachusetts	$21.2	8.1%	New Jersey	$28.6	7.9%	New Jersey	$31.4	7.5%
4	New Jersey	$18.1	6.9%	Massachusetts	$26.4	7.3%	Massachusetts	$28.1	6.7%
5	Florida	$16.5	6.3%	**Illinois**	**$25.9**	**7.2%**	**Illinois**	**$24.2**	5.8%
6	**Illinois**	**$13.1**	**5.0%**	Florida	$17.4	4.8%	Florida	$20.4	4.9%
7	Connecticut	$11.9	4.6%	Connecticut	$12.7	3.5%	Connecticut	$15.7	3.8%
8	Washington	$9.1	3.5%	Washington	$10.6	2.9%	Washington	$13.7	3.3%
9	Ohio	$8.6	3.3%	Ohio	$10.5	2.9%	Texas	$12.6	3.0%
10	Pennsylvania	$8.5	3.3%	Pennsylvania	$9.5	2.6%	Pennsylvania	$11.8	2.8%
RANGE	$40 billion to $61 million			$58 billion to $48 million			$66 billion to $30 million (Nebraska < .01%)		

SOURCE: Moody's State Debt Medians reports from 2003 through 2009.
This table uses a measure created and calculated by Moody's rating agency.

The current ratings for the above states are shown in the chart on the following page. California has the lowest ratings of the 50 states from all three rating agencies due to the large amounts of debt it has taken on over the years, weak economic performance and non-recurring budget measures.

Illinois has the second lowest rating from all three ratings agencies as of the beginning of March 2010. Moody's has stated that Illinois and New Jersey's massive unfunded pension obligations and their failures to fully make required annual contributions have contributed to negative credit action. "The fiscal strain of deteriorating pension funding levels on local and state governments could contribute to downgrades in the next several years, especially among those governments that entered the recession with poor funding ratios or have little flexibility in their funding requirements" (Moody's *Employee Pension Costs Pressure State and Local Governments*, Nov. 3, 2009).

TABLE 16: LOWEST G.O. RATINGS	Moody's	S&P	Fitch*
California	Baa1	A-	A-
Illinois	**A2**	**A+**	**A+**
Louisiana	A1	AA-	AA
Arizona	A1	AA-	
Michigan	Aa3	AA-	AA-

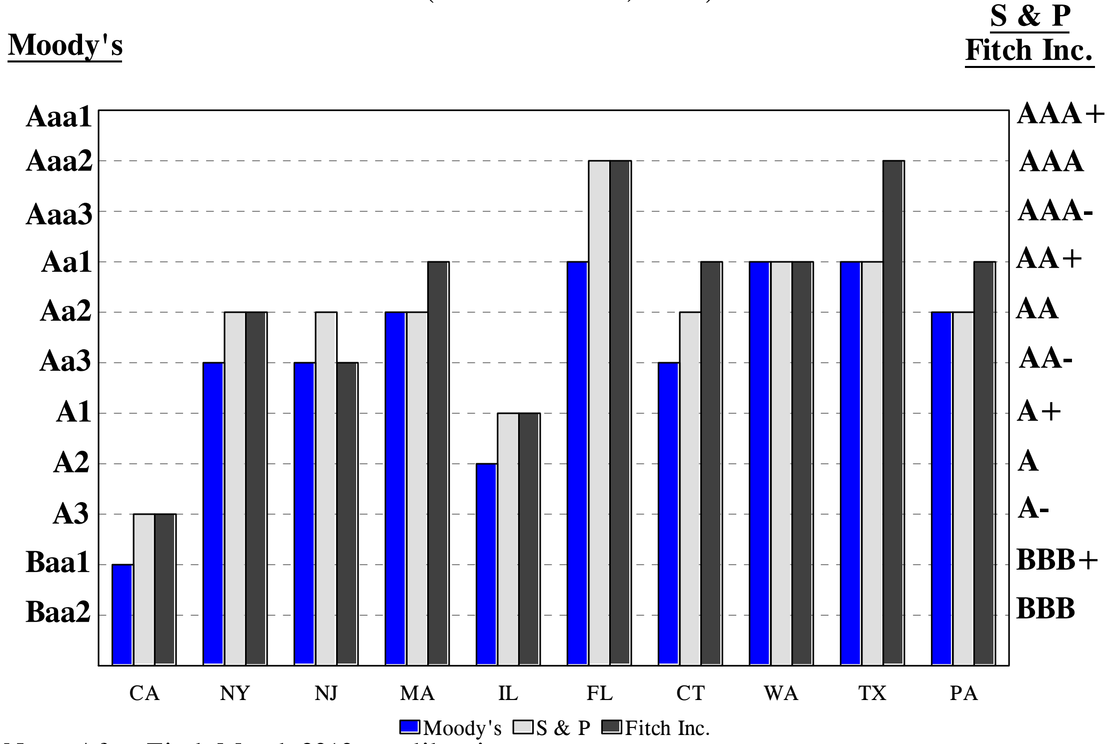
*Shows each State's recalibrated Fitch Ratings

2008 was a year where the Auction Rate Securities market fell, large investment banks claimed bankruptcy, and municipal bond insurers with failing portfolios were downgraded. Municipal issuers were suddenly on the wrong side of variable rate interest deals, and had to work to refinance to fixed rates and make deals to rid themselves of auction rate securities. State and local governments themselves have been hit hard due to years of lower revenues and the economic recession. Many states sold few or no bonds in 2008, lowering their total debt burden.

CHART 12

G.O. BOND RATINGS FOR SELECTED STATES

(as of March 29, 2010)



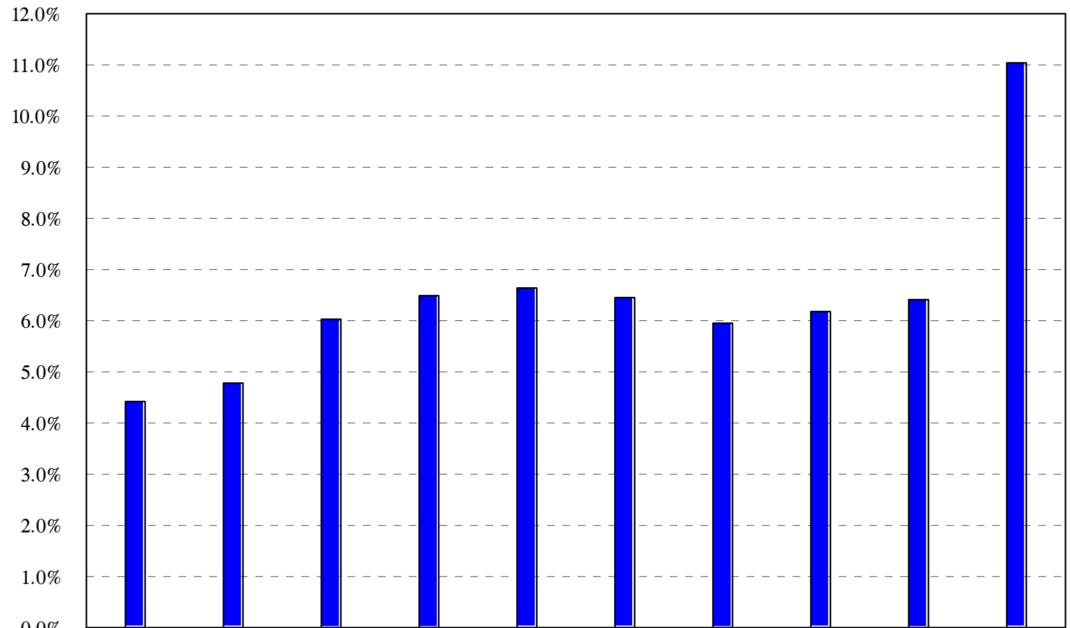
Note: After Fitch March 2010 recalibrations

Moody's forecasted that debt issuance would increase throughout 2009 due to low interest rates and the stabilization of the bond markets. The federal American Recovery and Reinvestment Act has given a boost to the bond market by authorizing several bond programs to help municipalities. The most popular are Build America Bonds which allow the issuer to issue taxable bonds from which they either receive a federal debt service subsidy or offer the buyer a federal tax credit. Most states are taking the federal subsidy to help them pay for the bonds. This opens municipal issuers to a whole new market of buyers who don't traditionally buy tax-exempts because they are already exempt from US federal taxes -- like pension funds and foreign investors.

Chart 13 shows a history of general obligation and State-issued revenue debt service as a percentage of general funds receipts.

CHART 13

G.O. AND STATE-ISSUED REVENUE BOND DEBT SERVICE TO GENERAL FUNDS RECEIPTS



	2002	2003	2004	2005	2006	2007	2008	2009	2010*	2011*
percentage	4.4%	4.8%	6.0%	6.5%	6.6%	6.5%	6.0%	6.2%	6.4%	11.0%

*CGFA Estimate

NON-STATE SUPPORTED BOND DEBT

- **Summary of Non-State Supported Bond Debt**
- **State Universities' Certificates of Participation**
- **State Universities' Capital Plans**
- **Moral Obligation Bonds**
- **Moral Obligation Defaults**
- **Bonded Indebtedness of Authorities and Universities**

Summary of Non-State Supported Bond Debt

Non-State Supported debt can be broken down into two categories based on the degree of State obligation: "no obligation" and "moral obligation". No obligation bonds, secured solely by project revenue, have no direct State obligation. These include "User charge" supported debt, which is paid for by charges to the user of the service or the constructed building, road, etc, and is issued by such authorities as the Illinois Student Assistance Commission (ISAC), the Illinois Housing Development Authority, State universities, and the Illinois State Toll Highway Authority. "Conduit debt" is backed by revenues from the project the bonds are sold for or by the local entity benefiting from the project, and is issued by such authorities as the Illinois Finance Authority.

"Moral obligation debt" is that which the State pledges to back in case the issuing authority has insufficient funds to pay the debt. Bonding authorities issuing moral obligation debt must first receive approval from the Governor before each issue. In the event of default on moral obligation bonds - although the State is not legally obligated - the Governor must notify the General Assembly of any such shortfall and may include the amount in his budget for possible action by the legislature.

State Universities' Certificates of Participation

Under the newly created **State University Certificates of Participation Act** [110 ILCS 73], any State university planning to issue Certificates of Participation (COPs) must appear before the Commission at a public hearing to present the details of the proposal. Upon adoption by a vote of the majority of appointed members, the Commission shall issue a record of findings within 60 days after the request by the university, within 15 days after the hearing. As part of the Commission's consideration and findings the Commission shall consider the effect the issuance of a certificate of participation shall have on the State University's annual debt service and overall fiscal condition. Within the findings shall be a statement in which the Commission makes a recommendation of either (i) "favorably recommended", (ii) "recommended with concerns", or (iii) "non-support of issuance". Upon a finding of "non-support of issuance", a State university may not proceed with the issuance of the certificate involved in the finding without the approval of the General Assembly through adoption of a joint resolution.

Eastern Illinois University. Eastern Illinois University was the first to request a hearing under this Act for the issuance of $86 million in Certificates of Participation for 23 separate Energy Conservation Measures (ECMs) projects. The main project will be the $57 million construction of a Renewable Energy Center. The Commission's hearing was conducted on August 24, 2009, with a unanimous vote to recommend the issuance with concerns.

Eastern Illinois University sold $84,930,000 of COPs in late September 2009, using Build America Bonds (BABs). The BABs were sold at an average rate of 4.13% true interest cost net after the federal government's refund to the University. The average coupon rate on the bonds was 3.98%, but would have been 4.64% if they had used tax-exempt bonds. This allowed the University a significant amount of savings.

Western Illinois University. Western Illinois University was the second university to go through the hearing process. WIU requested approval to issue $11.585 million in Certificates of Participation to fund approximately $5 million of heating plant capital improvements, $5 million of steam line replacements, and $1.5 million for the reimbursement of University funds for past installation of residence hall sprinklers. The University's Facilities Enhancement and Life Safety Fee will be utilized to pay the debt service on the 2010 Certificates of Participation.

The request for issuance was favorably recommended by unanimous vote of the Commission members. The University sold $11.585 million of Build America Bonds in late February 2010 getting 8 bids and a 3.8% interest rate.

TABLE 17:	STATE UNIVERSITIES' CERTIFICATES OF PARTICIPATION					
University	Annual Debt Service Limit	FY 2009 Debt Service Level	Principal Outstanding as of June 30, 2009	COP Issuance FY 2008	COP Issuance FY 2009	Estimated COP Issuance FY 2010
Chicago State University	$5,000,000	$0	$0	$0	$0	$0
Eastern Illinois University	$10,000,000	$3,097,794	$18,330,000	$0	$0	$84,930,000
Governors State University	$5,000,000	$346,456	$19,730,000	$8,135,000	$9,870,000	$18,000,000
Illinois State University	$10,000,000	$736,000	$22,141,000	$22,230,000	$0	$0
Northeastern Illinois University	$5,000,000	$1,184,931	$14,125,000	$0	$0	$0
Northern Illinois University	$20,000,000	$621,000	$4,555,000	$0	$0	$0
Southern Illinois University	$20,000,000	$3,887,090	$25,690,000	$0	$0	$0
University of Illinois	$100,000,000	$44,065,218	$570,520,000	$112,840,000	$0	$0
Western IL University	$10,000,000	$823,884	$9,890,000	$0	$0	$11,585,000

Effective June 22, 2009, the Act also set limits on each university to a specific amount of debt service outstanding at one time. The table above lists each university, their limits, FY 2009 debt service, outstanding principal and recent sales. Governors State University had suggested that it may sell $18 million in COPs in FY 2010. No formal requests for hearings have been made at the time of this report.

Other Borrowing: Currently, legislation is being considered to allow universities to borrow for a twelve-month period in anticipation of revenues from the State and other sources. Many schools have received less than 1/3 of the amounts the State had appropriated in FY 2010 for operating and other expenses, and are struggling with paying staff and keeping their doors open. At this time negotiations are on-going on the best way to allow this option, while avoiding misuse and unforeseen consequences, but still safeguarding the schools.

State Universities' Capital Plans

State universities request funding from the State for instructional building funding only. Those requests go through the Illinois Board of Higher Education which makes a priority list for the Office of Management and Budget to aid in the planning of the State's capital plan. If a state university would like to finance the construction of a non-educational building, they will sell revenue bonds or Certificates of Participation. Annually, each State university must submit their three-year capital plans for approval to the Illinois Board of Higher Education. Below is a summary of the proposed capital plans of the State's universities.

Eastern Illinois was approved in January 2009 to construct a $4.2 million Textbook Rental Facility. Revenue bonds will be sold for 25 years while the project's life expectancy is 50 years. Fees from textbook rentals will be increased by $1 per credit hour to generate approximately $320,000 in revenues to cover $308,000 in debt service.

Illinois State University has several projects in the process:

- Residence halls from FY 2004 through FY 2010, costing $70.6 million, of which $42 million would be financed with 25 year revenue bonds.
- Student Fitness & Kinesiology/Recreation Center for a cost of $49.6 million, of which $29.7 million would be paid from revenue bond proceeds and $19.9 million from COPs and University funds.
- Tennis court construction for $2.5 million.
- South parking deck for $6 million.
- Utility distribution and chiller upgrades for $7 million.

Western Illinois University has two projects already approved that will be paid for with current fees and revenues. The Residence Hall sprinkler system for $5.5 million in bonds, and the Recreation Center expansion funded by $2 million of revenue bonds and $2 million of Auxiliary Facility System Reserves.

Southern Illinois University has requested approval for construction projects at its various locations.

- In Carbondale:
  - an $83 million football stadium construction and arena renovation and addition was approved and will be paid for with student fees, Carbondale sales tax, user fees, donations and interest income.
  - Student Recreation Center addition for $6.5 million that should generate enough revenue to pay for its debt service.
  - Security camera system for $750,000 and Residence Halls and automatic sprinklers for $7.8 million, to be paid for from housing funds, fee revenues, and a 2.75% increase in room and board rates.
  - Student Services Building for $25 million.
  - Deferred Maintenance of $25 million.

- At Edwardsville:
  - Student Academic Success Center costing $15.2 million.
  - New parking lot for $650,000
  - Fitness Center expansion for $9.3 million.

The University of Illinois at Urbana-Champaign has one project in the planning stages, Goodwin Green Student Apartments for $24 million, and a second on hold for Assembly Hall Renovations.

Many universities have future plans that are on hold and have not been submitted for approval yet to the Illinois Board of Higher Education.

Moral Obligation Bonds

Process: When an authority initially decides to issue bonds for an entity, they must first get the authorization from their Board of Directors. At this time they would also get the approval of the board to request the moral obligation pledge from the State. Once approved by their board, the authority would then submit a request to the Office of the Governor for the moral obligation pledge along with all of the data regarding the bonds and the project. The Governor's Office would have the request reviewed by different departments including economic development, legal, and the Office of Management and Budget, who would then make a recommendation to the Governor. The Governor's Office would review all of this information before the Governor makes this decision.

The moral obligation pledge must be allowed by the State before the authority gets their bond rating and goes to market. The moral obligation of the State given as a pledge behind the bonds allows the bond sale to get a higher rating. The authority would request a bond rating from Standard and Poor's, who would usually give bonds with Illinois' moral obligation pledge an A rating. In the event of default on moral obligation bonds, the issuing authority is to send written notice to the Governor. Although the State is not legally obligated, the Governor must notify the General Assembly of any such shortfall and may include the amount in the budget for possible action by the legislature. To date, the State has appropriated funds to Authorities to cover defaulted loans [See Moral Obligation Defaults section on the following pages]. If the State did not pay the moral obligation defaults, then the rating our authorities would receive on the State of Illinois' moral obligation pledge would be lower.

Current Status: The State has several authorities which are allowed to issue moral obligation debt with the approval of the Governor. Only four authorities actually have moral obligation debt outstanding (as of June 30, 2009):

Illinois Housing Development Authority	$ 0.3 million
Southwestern Illinois Development Authority	$ 37.0 million
Illinois Finance Authority/Rural Bond Bank	$ 103.9 million
Upper Illinois River Valley Development Authority	$ 21.5 million
TOTAL	**$162.7 million**

Due to the State's downgrades, the State's moral obligation bonds have been downgraded, too. Standard & Poor's downgraded moral obligation bonds at the IFA, SWIDA and UIRVDA to A- stable.

Moral Obligation Defaults

There have been five loan payment defaults on moral obligation bonds issued at two of the authorities--one at the Upper Illinois River Valley Development Authority (UIRVDA) and four at the Southwestern Illinois Development Authority (SWIDA). Waste Recovery has received loans from both UIRVDA and SWIDA, with the State appropriating approximately $5.1 million, and the Authorities expending $3.7 million of that to cover the debt service payments through FY 2009. UIRVDA states that they have enough funding in the Debt Service Reserve for FY 2010 debt service. UIRVDA has put into place a four-level due diligence process for moral obligation bond requests to avoid any future defaults, and has only had this one default out of $150 million in bonds.

SWIDA has also had moral obligation defaults caused by the Laclede Steel Company. It is estimated that the State has paid close to $5 million from 1999 through 2001 for debt service since Laclede filed for Chapter 11. Laclede has paid the trustee $3.6 million to cover debt service from December 2001 through February 2006 and also turned over to the State 265,732 shares of stock in the reorganized company. The State appropriated $5.7 million from FY 2007 through FY 2010 to cover debt service.

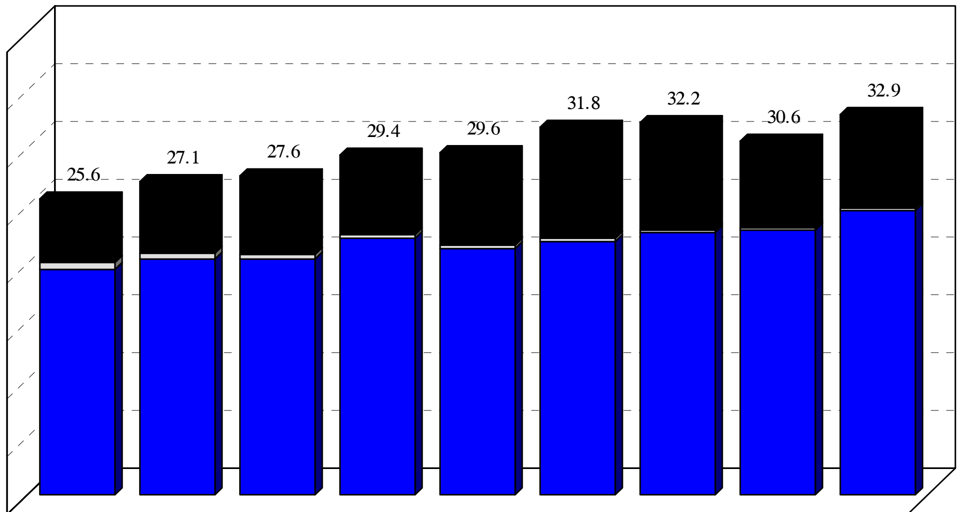
Spectrulite Consortium has also defaulted for the past five years on its loan from SWIDA, and the State has appropriated $4.5 million for their debt service through FY 2008, of which $2.7 million has been expended. In FY 2009, Spectrulite Consortium repaid SWIDA for its defaulted bonds.

FY 2006 was the first year of default for Alton Center Business Park with the State appropriating up to $5.7 million over the past three years for debt service, of which approximately $4.3 million has been expended.

TABLE 18:			MORAL OBLIGATION DEFAULTS											
Authority	**Bonds in Default**		**FY 2000**	**FY 2001**	**FY 2002**	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**	**EST. FY 2010**	**TOTAL**
Southwestern Illinois Development Authority	**Alton Center Business Park**	**Approp**						$0	$1,950,000	$1,010,000	$1,026,000	$971,300	$782,705	**$5,740,005**
		Expended					new	$0	$1,450,000	$820,000	$1,026,000	$645,000	$367,000	**$4,308,000**
	Spectrulite Consortium	**Approp**					$232,700	$1,420,700	$737,725	$737,726	$719,313	$694,600		**$4,542,764**
		Expended						$1,420,700	$210,000	$451,183	$324,144	$269,484		**$2,675,511**
	Waste Recovery	**Approp**		$260,410			$464,700	$644,000	$360,715	$364,225	$415,655	$366,200	$365,860	**$3,241,765**
		Expended						$644,000	$344,824	$340,471	$354,404	$363,162	$45,430	**$2,092,291**
	Laclede Steel	**Approp**	$1,594,731	$1,697,594	$1,696,164	$0	$0	$0	$0	$1,391,143	$1,441,643	$1,483,200	$1,420,143	**$10,724,618**
		Expended							$0	$1,195,607	$1,387,409	$1,469,564	$1,075,821	**$5,128,401**
Debt Outstanding as of FY 2009 = $19.125 million														
Upper Illinois River Valley Development Authority	**Waste Recovery/New Heights Recovery**	**Approp**		$195,491			$353,414	$283,927	$512,123	$280,163	$277,591	$283,884		**$2,186,593**
		Expended					$289,815	$290,670	$235,935	$285,905	$290,285	$288,780		**$1,681,390**
Debt Outstanding as of FY 2009 = $1.215 million														
Debt Service Reserve Requirement = $290,430. Current Debt Reserve Value = $290,430.														

Sources: Southwestern Illinois Development Authority and the Upper Illinois River Valley Development Authority

Bonded Indebtedness of Authorities and Universities



	2001	2002	2003	2004	2005	2006	2007	2008	2009
User Charge	5.5	6.2	6.8	6.9	8.0	9.6	9.3	7.5	8.1
Moral Obligation	0.6	0.5	0.4	0.3	0.3	0.3	0.2	0.2	0.2
Conduit Debt	19.5	20.4	20.4	22.2	21.3	21.9	22.7	22.9	24.6

Chart 14 shows the level of outstanding debt for non-state supported bonds as reported by the issuing authorities and universities. Principal outstanding rose by $2.3 billion. The Conduit debt category has increased by $600 million from FY 2008 to FY 2009. While the Illinois Finance Authority sold $2.6 billion in bonds, it paid off $1.2 billion in principal from its predecessor authorities, netting an increase in principal outstanding of $1.4 billion. The IFA will be requesting an increase in authorization of at least $3 billion. Their current general authorization is $28.15 billion.

The principal outstanding in the Moral Obligation category has overall remained steady. Increases in User Charge principal outstanding are mainly from the Illinois State Toll Highway Authority's net increase of $750 million for its 10-year program and approximately $150 million for ISAC. There were decreases of $100 million for IHDA and $250 million for U of I.

Table 19, on the following page, gives a more detailed breakout of principal outstanding and bond sales by each bonding authority.

TABLE 19: NON-STATE SUPPORTED DEBT BY AUTHORITY			
Authority	Type of Debt	Outstanding Principal FY 09	Bonds Issued in FY 09
IL Finance Authority	conduit	$14,566,810,000	$2,640,041,000
IL Development Finance Authority	conduit	$3,155,350,000	$0
IL Education Facilities Authority	conduit	$1,734,177,000	$0
IL Farm Development Authority	conduit	$47,029,000	$0
IL Health Facilities Authority	conduit	$3,655,331,000	$0
IL Rural Bond Bank	conduit	$3,860,000	$0
Quad Cities Regional Economic Development Authority	conduit	$47,365,000	$0
Regional Transportation Authority (non SCIP)	conduit	$624,370,000	$0
Southeastern IL Economic Development Authority	conduit	$9,762,346	$0
Southwestern IL Development Authority	conduit	$571,983,975	$53,669,828
Upper IL River Valley Development Authority	conduit	$135,369,048	$9,000,000
Western IL Economic Development Authority	conduit	$20,385,000	$20,385,000
Will-Kankakee Regional Development Authority	conduit	$38,210,000	$0
CONDUIT TOTAL		**$24,610,002,369**	**$2,723,095,828**
IL Housing Development Authority	moral	$310,246	$0
IL Rural Bond Bank	moral	$30,725,000	$1,800,000
IL Finance Authority	moral	$64,560,000	$0
Southwestern IL Development Authority	moral	$36,756,000	$0
Upper IL River Valley Development Authority	moral	$21,515,000	$0
MORAL OBLIGATION TOTAL		**$153,866,246**	**$1,800,000**
Chicago State University	usercharge	$19,185,000	$0
Eastern IL University	usercharge	$36,860,000	$4,230,000
Governors State University	usercharge	$8,630,000	$0
IL Housing Development Authority	usercharge	$1,553,163,329	$1,666,666
IL State University	usercharge	$107,609,000	$0
IL Student Assistance Commission-IDAPP	usercharge	$1,030,500,000	$146,100,000
IL State Toll Highway Authority	usercharge	$3,795,740,000	$850,000,000
Northeastern IL University	usercharge	$20,395,000	$0
Northern IL University	usercharge	$100,632,000	$0
Southern IL University	usercharge	$301,655,906	$53,735,000
University of IL	usercharge	$1,072,965,529	$17,085,000
Western IL University	usercharge	$40,355,000	$0
USERCHARGE TOTAL		**$8,087,690,764**	**$1,072,816,666**
TOTAL OF CONDUIT & USERCHRGE		**$32,697,693,133**	**$3,795,912,494**
TOTAL CONDUIT, USERCHRGE, & MORAL		**$32,851,559,379**	**$3,797,712,494**

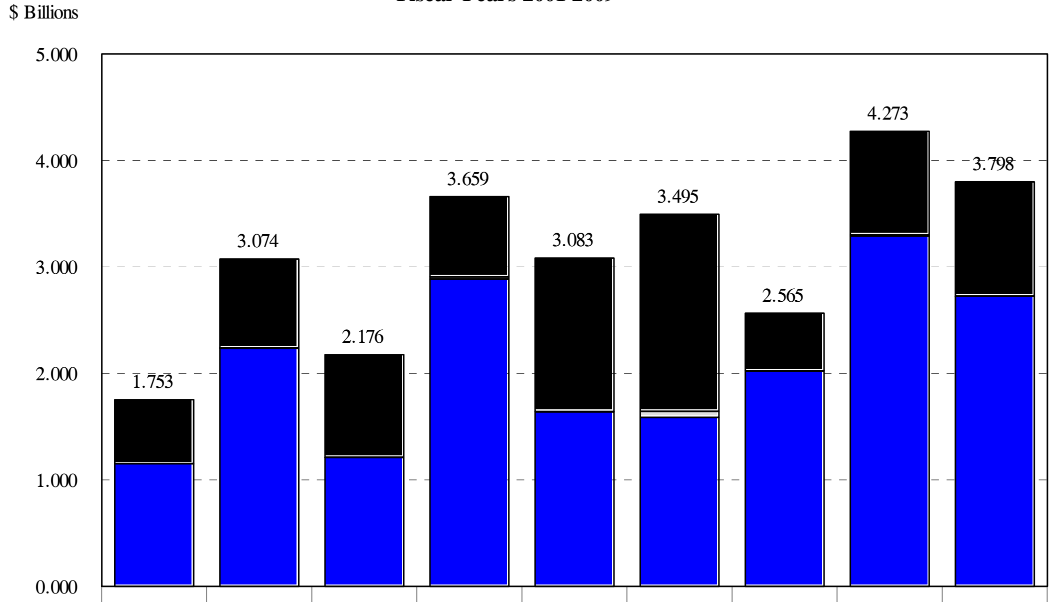
Source: Information received from the Authorities and Universities.

Chart 15 shows that the sale of bonds for these authorities fluctuates from year to year. The big issuers in FY 2009 were the Illinois Finance Authority at $2.6 billion and the Tollway with $850 million. ISAC sold $150 million, while SWIDA sold approximately $54 million. Many of the universities had put off the sale of bonds and even COPs, hoping for the State to come through with funding in the Capital Plan. SIU sold $54 million in Build America Bonds and will receive the federal subsidy, while the IFA refunded $1.2 billion in bonds to help lower debt service.

CHART 15

NON-STATE SUPPORTED BOND ISSUES

Fiscal Years 2001-2009



	2001	2002	2003	2004	2005	2006	2007	2008	2009
User Charge	0.600	0.831	0.964	0.752	1.441	1.852	0.539	0.973	1.073
Moral Obligation	0.001	0.009	0.000	0.021	0.002	0.056	0.002	0.009	0.002
Conduit	1.152	2.234	1.212	2.886	1.640	1.587	2.024	3.291	2.723

Conduit Moral Obligation User Charge

* Excludes Refunding issues.

Some of the authorities and universities have future bond sales planned. The Illinois State Toll Highway Authority sold $280 million of Build America Bonds at the end of 2009. Other bond sales expected in FY 2010 include $139 million by SWIDA, $110 million by ISAC, $47 million by the University of Illinois, $25 million by SIU and $20 million by Western Illinois University.

Based on a plan with the Governor, the RTA sold $175 million in bonds in February 2010 to free up Federal capital funds for the CTA's budget deficit. These federal funds can be used for operations with the approval of the Federal Transit Administration. Governor Quinn has offered to pay approximately $15 million in debt service over FY 2010 and FY 2011 from the Governor's discretionary budget, and that future year's debt service could be covered.

The Illinois Finance Authority has created two new programs. The first is a $48 million borrowing program called the Affordable Assisted Living Coalition note project. This program will help continuing care facilities that are supported by Illinois Medicaid payments. There are 119 of these facilities in Illinois, which are owed payments by the State. This program offers funding for 365 days of accounts receivable and provide reimbursement for each month of Medicaid invoices. The second IFA program, which was designated by the Governor, allows the Authority to issue $40 million of Midwest disaster relief bonds.

APPENDIX

- **Authorities and State Universities - Boards of Directors**

Appendix A

Authorities and State Universities - Boards of Directors

AUTHORITIES	Terms	City	County
Illinois Finance Authority			
William A. Brandt, Jr., Chairman	Term Expires 2010	Winnetka	Cook
Michael W. Goetz, Vice Chairman	Term Expires 2008	Springfield	Sangamon
Dr. William J. Barclay	Term Expires 2008	Oak Park	Cook
Roderick Bashir	Term Expires 2010		
Ronald E. DeNard	Term Expires 2013	Chicago	Cook
John "Jack" Durburg	Term Expires 2011		
James J. Fuentes	Term Expires 2009	South Barrington	Lake
Dr. Roger Herrin	Term Expires 2013	Harrisburg	Saline
Edward H. Leonard, Sr.	Term Expires 2012	Niantic	Macon
Joseph McInerney	Term Expires 2010		
Terrence M. O'Brien	Term Expires 2011	Glenview	Cook
Roger Poole	Term Expires 2012		
Juan B. Rivera	Term Expires 2008	Oak Park	Cook
Bradley A. Zeller	Term Expires 2012	Chicago	Cook
Vacant			
Illinois Housing Development Authority			
Terry E. Newman, Chairman	2003-2009		Cook
Robert Baker, Vice-Chairman	2003-2009		Sangamon
Karen Davis, Treasurer	2005-2009		Madison
Mary Kane, Secretary	2006-2009		Madison
Floyd Gardner III	2008-2009		Cook
Mark Kochan	2006-2009		Williamson
George Lampros	2006-2009		DuPage
Vacant			
Vacant			
Illinois Sports Facilities Authority			
Governor James R. Thompson, Chairperson	2006-2009	Chicago	Cook
John T. McCarthy, Treasurer	2006-2010	Evergreen Park	Cook
Timothy Ray, Secretary	2006-2009	Chicago	Cook
Alvin Boutte, Jr.	2007-2011	Chicago	Cook
Joan Etten Krall	2006-2008	Park Ridge	Cook
William R. Power	2004-2010	Chicago	Cook
Peter Q. Thompson	2007-2009	Chicago	Cook
Illinois Student Assistance Commission			
Donald J. McNeil, Chairperson	2005-2009	Chicago	Cook
Sharon Alpi, Vice Chairperson	2005-2011	Decatur	Macon
Dr. Lynda Andre	2005-2009	Edwardsville	Madison
Sean Dauber	2008-2009	Frankfurt	Will
Dr. Mary Ann Louderback	2003-2007	Cary	McHenry
Hugh Van Voorst	2002-2007	Union Hill	Kankakee
Jonathon Wilson, Student Member	2009-2011		
Vacant			
Vacant			
Vacant			

AUTHORITIES	Terms	City	County
Illinois State Toll Highway Authority			
Paula Wolf, Chairperson	2009-2013	Chicago	Cook
David R. Andalcio	2003-2011	Hinsdale	DuPage
James J. Banks	1993-2009	Chicago	Cook
Thomas Canham	2007-2011	Evanston	Cook
William Morris	2009-2011	Grayslake	Lake
Arthur George Pradel	2001-2007	Naperville	DuPage
James M. Roolf	2004-2009	Joliet	Will
Maria Saldana	2009-2011		Cook
Carl O. Towns	2002-2009	Rockford	Winnebago
Thomas Weisner	2009-2011	Aurora	Kane
Governor Patrick Quinn, ex officio			
IDOT Acting Secretary Gary Hannig, ex officio			
Metropolitan Pier and Exposition Authority INTERIM BOARD			
John S. Gates, Jr., Chairperson	2007-2009	Chicago	Cook
Peter J. O'Brien, Sr., Secretary/Treasurer	2003-2008	Chicago	Cook
Devon C. Bruce	2010		Cook
Anita M. Cummings	2010		Cook
Sheila O'Grady	2010		Cook
Bruce V. Rauner	2010		Cook
Andre Rice	2010		Cook
Quad Cities Regional Economic Development Authority			
J.P. Jacobs, Chairperson	Term Expires 2005	Rock Island	Rock Island
Ann DeSmith, Vice-Chairman	Term Expires 2008	Atkinson	Henry
Mark A. Appleton Treasurer	Term Expires 2003	Aledo	Mercer
Scott Verschoore, Secretary	Term Expires 2008	Moline	Rock Island
Robert Anderson	Term Expires 2004	Moline	Rock Island
Harry S. Coin	Term Expires 2011	Rock Island	Rock Island
Dick Johnson	Term Expires 2007	Galesburg	Knox
Vacancy			
Vacancy			
Vacancy			
Warren Ribley, DCEO, ex officio			

AUTHORITIES	Terms	City	County
Regional Transportation Authority			
James R. Reilly, Chairperson	2005-2014	Chicago	Cook
James Buchanan	2007-2012	Chicago	Cook
Jan E. Carlson	2008-2013	Elburn	Kane
William R. Coulson	2007-2011	Glenview	Cook
Tyrone Crider	2008-2013	Country Club Hills	Cook
Patrick J. Durante	1999-2009	Addison	DuPage
Philip Fuentes	2008-2012	Chicago	Cook
Dwight A. Magalis	1999-2009	Libertyville	Lake
Albert M. Jourdan	2008-2013	McHenry	McHenry
Patrick V. Riley, Jr.	2005-2010	Schaumburg	Cook
Michael Rosenberg	1995-2013	Chicago	Cook
J.D. Ross	2008-2013	Joliet	Will
Michael Scott	2008-2013	Chicago	Cook
Horace Smith	2009-2012	Chicago	Cook
Judy Baar Topinka	2007-2011	Riverside	Cook
Douglas M. Troiani	1995-2010	Chicago Heights	Cook
Southeastern Illinois Economic Development Authority			
Samuel F. Mateer, Chairman	Term Expires 2008	Mt. Vernon	Jefferson
D.R. Smith, Vice-Chairman	Term Expires 2010	Robinson	Crawford
Dan Ramey, Treasurer	Term Expires 2008	Centralia	Marion
Marcia K. Scott, Secretary	Term Expires 2009	Mt. Vernon	Jefferson
James B. Rippy	Term Expires 2008	Mt. Vernon	Jefferson
George W. Rosborough	Term Expires 2009	Oblong	Crawford
Joshua Weger			Lawrence
Vacancy			
Vacancy			
Vacancy			
Warren Ribley, DCEO Appointment			
Southwestern Illinois Development Authority			
Robert P. Lombardi, Chairperson	1988-2008	Edwardsville	Madison
James S. Nations, Vice Chairperson	2000-2011	Swansea	St. Clair
Robert L. Plummer, Treasurer	2001-2008	Edwardsville	Madison
Barbara S. Johnson, Secretary	2004-2007	Swansea	St. Clair
Khalil El-Amin, 2nd Asst. Secretary	2007-2010	East St. Louis	St. Clair
Robert D. Halsey, 1st Asst. Secretary	2003-2006	Alton	Madison
Ed McMillan, 2nd Asst. Treasurer	2007-2008	Greenville	Bond
David A. Miller, 1st Asst. Treasurer	2006-2007	Belleville	St. Clair
Roger E. Poole, 3rd Asst. Secretary	2008-2011	Smithton	St. Clair
Reggie Sparks, Asst. Secretary	1997-2012	Dorsey	Madison
Jim Sullivan, Asst. Treasurer	2003-2008	Trenton	Clinton
Vacancy			
Mary E. Koch, DCEO, ex officio	2004-	O'Fallon	St. Clair
Gary Hannig, DOT, ex officio			Sangamon

AUTHORITIES	Terms	City	County
Upper Illinois River Valley Development Authority			
Chester Massino, Chairperson	Term Expires 2009		Marshall
James Miller, Vice-Chairman	Term Expires 2009	Princeton	Bureau
Dennis Hackett, Treasurer	Term Expires 2004	Morris	Grundy
William Steep, Secretary	Term Expires 2005	Seneca	LaSalle
James Ghiglieri, Jr.	Term Expires 2004	Toluca	Marshall
Barbara Griffith	Term Expires 2004	McNabb	Putnam
Michael Guilfoyle	Term Expires 2007	Mendota	LaSalle
Blake Hobson	Term Expires 2012	Huntley	McHenry
Philip McCully	Term Expires 2005	Toluca	Marshall
William Meagher	Term Expires 2004	LaSalle	LaSalle
Greg Meyers	Term Expires 2010	Aurora	Kane
Kevin Olson	Term Expires 2009		Grundy
Thomas Setchell	Term Expires 2005	Ottawa	LaSalle
John Shaw	Term Expires 2004	Morris	Grundy
Jeffrey Wilkins	Term Expires 2008	Yorkville	Kendall
Vacancy			
CMS, ex officio			
DCEO, ex officio			
Western Illinois Economic Development Authority			
Hubert G. Staff, Chairperson	2005-2009		Adams
Mervin Sorrells	2005-2007		Hancock
Michael Barnett	2005-2011		Cass
Monte Graham	2005-2006		Fulton
David M. Gross	2005-2011		Morgan
Ronald Moore	2005-2008		Warren
James Sledge, CMS, ex officio			
Warren Ribley, DCEO, ex officio			
Will Kankakee Regional Development Authority			
Nelson Collins, Chairman	Term Expires 2007	Beecher	Will
Alice Argyelan, Vice-Chairman	Term Expires 2009	Bourbonnais	Kankakee
Phillip Williams, Treasurer	Term Expires 2008	Lockport	Will
Patrick Heenan, Secretary	Term Expires 2008	Manteno	Kankakee
Howard Norberg	Term Expires 2009	Joliet	Will
Charles Parsons, Jr.	Term Expires 2007	Kankakee	Kankakee
Bobbie Peterson	Term Expires 2003	Beecher	Will
Vacancy			
Vacancy			
Warren Ribley, DCEO, ex officio			

STATE UNIVERSITIES	Terms	City	County
Chicago State University			
Rev. Leon D. Finney, Jr., Ph.D., Chairperson	2005-2011	Chicago	Cook
Rev. Richard L. Tolliver, Vice Chairperson	2005-2011	Chicago	Cook
Betsy Hill, Secretary	1999-2011	Chicago	Cook
Lisa Morrison Butler	2009-2013		Cook
Gary Rozier	2009-2013		Cook
Julie Samuels	2009-2011		Cook
Zaldwaynaka Scott	2009-2013		Cook
Frank Pogue, CSU President, ex officio			
Jawuan Sutton, Student Trustee			
Eastern Illinois University			
William O'Rourke, Chairperson	2005-2011	Springfield	Sangamon
Leo Welch, Vice Chairperson	2004-2013	O'Fallon	St. Clair
Dr. Robert Webb, Secretary	2004-2011	Mattoon	Coles
Robert L. Kratochvil, Member Pro-Tem	2004-2007	Mt. Olive	Macoupin
Julie Nimmons	2001-2007	Litchfield	Montgomery
Don Yost	2005-2011	Charleston	Coles
Eric Wilbur, Student Trustee	2009-2010	Monticello	Piatt
Vacancy			
Governors State University			
Lorine Samuels, Chairperson	Term Expires 2007	New Lenox	Will
Jack Beaupre, Vice Chairperson	Term Expires 2011	Bourbonnais	Kankakee
Kristi DeLaurentiis, Secretary	Term Expires 2011	Frankfort	Will
Bruce Friefeld	Term Expires 2007	Mokena	Will
Lois Mayer	Term Expires 2011	New Lenox	Will
Bryce Johnson, Student Board Member	2009-2010	Park Forest	Will
Vacancy			
Vacancy			
Illinois State University			
Michael McCuskey, Chairperson	2005-2011	Urbana	Champaign
Joanne Maitland, Secretary	2008-2013	Bloomington	McLean
Jay D. Bergman	2005-2011	Hinsdale	DuPage
Anne Davis	2005-2011	Tinley Park	Cook
Bob Dobski	2008-2013	Bloomington	McLean
Betty Kinser	2005-2011	Normal	McLean
Geno Bagnuolo, Student Trustee	2009-2010	Normal	McLean
Vacancy			
Northeastern Illinois University			
Walter W. Dudycz, Chairperson	2004-2009	Chicago	Cook
Jin Lee, Vice Chairperson	2005-2009	Chicago	Cook
Carlos Azcoitia, Secretary	2006-2011	Chicago	Cook
Carole Balzekas	1996-2007	Chicago	Cook
Grace G. Dawson	2007-2011	Chicago	Cook
Omar Duque	2007-2011	Chicago	Cook
Edward G. Dykla	1996-2007	Barrington	Lake/Cook
Marvin Garcia	2009-2013		
Jose Fulgencio, Student Trustee	2009-2010	Chicago	Cook
Vacancy			

STATE UNIVERSITIES

	Terms	City	County
Northern Illinois University			
Mark J. Strauss, Chairperson	Term Expires Jan. 2011	DeKalb	DeKalb
John R. Butler, Vice Chairperson	Term Expires Jan. 2013	Chicago	Cook
Robert T. Boey, Secretary	Term Expires Jan. 2013	DeKalb	DeKalb
Cherilyn G. Murer	Term Expires Jan. 2011	Joliet	Will
Manuel Sanchez	Term Expires Jan. 2013	Lisle	DuPage
Myron E. Siegel	Term Expires Jan. 2011	Bannockburn	Lake
Barbara Giorgi Vella	Term Expires Jan. 2011	Rockford	Winnebago
Mathew Venaas, Student Trustee	2009-2010	DeKalb	DeKalb
Southern Illinois University			
Roger Tedrick, Chairperson	2004-2009	Mt. Vernon	Jefferson
Ed Hightower, Vice Chairperson	2001-2013	Edwardsville	Madison
John Simmons, Secretary	2004-2013	Godfrey	Madison
Frank William Bonan III	2008-2011	Benton	Franklin
Keith R. Sanders	2004-2013	Spring Grove	McHenry
Stephen Wigginton	2005-2011	Troy	Madison
Marquita Wiley	2005-2009	Belleville	St. Clair
Nate Brown, Student Trustee, SIUC	2009-2010	Chester	Randolph
Amber Suggs, Student Trustee, SIUE	2009-2010	Wood River	Madison
University of Illinois			
Christopher G. Kennedy, Chairperson	2009-2015	Kenilworth	Cook
Frances G. Carroll	2005-2011	Chicago	Cook
Karen A. Hasara	2009-2011	Springfield	Sangamon
Dr. Timothy N. Koritz	2009-2013	Roscoe	Winnebago
Edward L. McMillan	2009-2015	Greenville	Bond
James D. Montgomery	2007-2013	Chicago	Cook
Lawrence Oliver II	2009-2013	Orland Park	Cook
Pamela B. Strobel	2009-2015	Winnetka	Cook
Carlos E. Tortolero	2009-2011	Berwyn	Cook
Matthew M. Reschke, UIUC Student Rep.	2009-2010	Wilmette	Cook
Bogdan V. Zavorotny, UIC Student Rep.	2009-2010	Gurnee	Lake
Derek R. Felix, UIS Student Rep.	2009-2010	LaGrange	Cook
Pat Quinn, Governor of Illinois			
Western Illinois University			
Steven L. Nelson, Chairperson	2006-2013	Rock Island	Rock Island
J. Michael Houston, Vice Chairperson	1997-2013	Springfield	Sangamon
Donald W. Giffin, Secretary	2006-2007	Macomb	McDonough
Carolyn J. Ehlert Fuller	1998-2007	Milan	Rock Island
William L. Epperly	2004-2011	Chicago	Cook
D'Angelo S. Taylor, Student Trustee	2009-2010	Macomb	McDonough
Vacancy			
Vacancy			

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 "Illinois Bond Watcher" 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/cgfa/cgfa_home.html