ILLINOIS ECONOMIC
and
FISCAL COMMISSION

ILLINOIS BOND WATCHER 2004

DECEMBER 2004

703 STRATTON BUILDING
SPRINGFIELD, ILLINOIS 62706

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INTRODUCTION

One of the responsibilities of the Illinois Economic and Fiscal Commission is to examine the long-term debt of the State of Illinois. 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. Non-State-supported debt consists of those bonds which are issued by authorities created by the State, but for which the State is said to have only a moral obligation or no obligation to repay. In addition, the State incurs several other types of long-term debt not represented by formal debt instruments and, therefore, not covered by this report. These include unfunded pension liabilities, Certificates of Participation, and long-term leases.

This report provides information on the levels of State-supported and non-State-supported bond debt using information provided by the Governor's Office of Management and Budget and the Office of the Comptroller. In an ongoing attempt to provide clear concise information, please note the table entitled Bonds at a Glance. Shown on page ii, the table provides a quick reference for frequently asked questions regarding bond sales, debt service, and bond ratings.

Additional information relating to the State of the Illinois bonded indebtedness may be obtained upon request.

2004 BOND WATCHER
EXECUTIVE SUMMARY

- P.A. 93-0839 set limits on State bonding and requires greater transparency from the Governor's Office of Management and Budget through disclosure of bond deals beginning in FY 2005. Both the September ($285 million) and November ($275 million) General Obligation bonds were issued following the new provisions, with a maximum 25-year maturity and level principal debt service payments. The new law also requires that a minimum of 25% of bonds issued in a fiscal year must be sold by competitive sale. With an expected $1 billion in total FY 2005 bond sales estimated by the Office of Management and Budget, the $285 million September issue, which was sold by competitive sale, meets this requirement.

- The Governor's Office of Management and Budget estimates $1.0 billion in bond sales for FY 2005, indicating a decrease in the sale of general obligation project bonds of 14.9%. In September, the State sold $285 million in bond proceeds and another $275 million was sold November 2004. With no new Capital Plan appropriations for FY 2005, there may be fewer bond sales than predicted.

- Outstanding G.O. principal at the end of FY 2003 reached $18.813 billion, an increase of 146.6%, attributed to the $10.0 billion sale of Pension Obligation Bonds. G.O. principal at the end of FY 2004 equaled $19.556, an increase of 3.9%.

- The Commission estimates that G.O. debt service will increase to $1.595 billion. The School Infrastructure portion of this debt service relies on $60 million transfer from GRF, $60 million a year from the cigarette tax, and $1/7^{th}$ of the Telecommunications Excise tax. These telecom revenues have remained below $100 million since FY 2003. Whenever this amount falls under the 1999 level of $101 million, GRF backfills the shortage amount, which it did in FY 2004 by an additional GRF transfer of $11.8 million.

- The RTA was given $1.3 billion in authorization through Illinois First. Approximately $1.04 billion have been sold. Due to $117 million in bond premiums the Office of the Governor and the RTA have decided to decrease the Authority's bond authorization level by the premium amounts, leaving approximately $143 million unissued.

- Public Act 93-0839 required SERS to collect and pay a total of $136.2 million in FY 2005 for POB debt service. 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. Of this amount, approximately $69.2 million will be paid for FY 2005 debt service. The remaining $67.0 million is to "repay" the General Revenue Fund for FY 2004 interest, even though this interest was capitalized (paid from the bond proceeds).

ILLINOIS BONDS AT A GLANCE
($ in Millions)

	FY 2003	FY 2004	From Previous Year $ Chg.	From Previous Year % Chg.	Estimated 2005ⓘ	From Previous Year $ Chg.	From Previous Year % Chg.
Bond Sales*							
General Obligation**	$11,712.1	$1,175.0	-$10,537.1	-90.0%	1,000.0	-$175.0	-14.9%
Revenue	182.2	350.0	167.8	92.1%	250.0	-100.0	-28.6%
Locally-issued †	1,062.0	42.5	-1,019.5	-96.0%	260.0	217.5	511.8%
TOTAL	**$12,956.3**	**$1,567.5**	**-$11,326.7**	**-87.8%**	**1,510.0**	**-$57.5**	**-3.7%**
Outstanding Principal							
General Obligation	$18,812.6	$19,556.3	$743.7	4.0%	$20,018.0	$461.7	2.4%
Revenue	1,999.2	2,253.3	254.1	12.7%	2,429.0	175.7	7.8%
Locally-issued	4,238.9	4,210.2	-28.7	-0.7%	4,385.1	174.9	4.2%
TOTAL	**$25,050.7**	**$26,019.8**	**$969.1**	**3.9%**	**$26,832.1**	**$812.3**	**3.1%**
Debt Service							
General Obligation	$973.4	$1,412.3	439.0	45.1%	$1,594.9	182.6	12.9%
Revenue	209.7	218.5	12.8	6.1%	234.6	12.1	5.4%
Locally-issued	217.3	237.8	20.5	9.4%	256.2	18.4	7.7%
TOTAL	**$1400.4**	**$2,070.7**	**$674.3**	**48.2%**	**$2,085.7**	**213.1**	**11.4%**
General Revenuesⓘ	**$24,987.0**	**$27,049.0**			**$25,910.0**		
G.O. & Revenue Debt Service as % of General Revenues	**4.73%**	**6.79%**			**7.06%**		
G.O. & Revenue Debt Service as % of Road Fund and General Funds appropriations							
G.O. Bond Rating							
Moody's	Aa2	Aa3			Aa3		
Standard & Poor's	AA	AA			AA		
Fitch Ratings	AA+	AA			AA		

* Bond Sales do not include refunding sales or Short-term borrowing.

** G.O. bonds include the $10.0 billion of Pension Obligation Bonds issued in FY 2003, but not Short-term borrowing.

† FY 2002 includes RTA SCIPs and ISFA bonds issued for the Soldier Field renovation. FY 2003 includes RTA SCIPs and MPEA expansion bonds. FY 2004 includes RTA SCIPS.

ⓘ The FY 2005 General Revenue Estimate uses IEFC's August 2004 estimate. G.O. principal outstanding and debt service were estimated by IEFC using information from OMB and the Comptroller.

Sources: Governor's Office of Management and Budget, MPEA, RTA, and ISFA.

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 revenue 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. Bonds secured by dedicated tax revenues are issued by the State for the Build Illinois program and for Civic Centers. Certificates of participation (COPs) have been authorized and issued by the State to finance the lease/purchase of equipment and the lease/purchase of correctional facilities. Locally-issued revenue bonds supported by State revenue include those issued by the Metropolitan Pier and Exposition Authority (McCormick Place and Navy Pier), the City of Collinsville (State Office Building), the Springfield Airport Authority, the Illinois Sports Facilities Authority (Comiskey Park and Soldier Field), and the Regional Transportation Authority. [The Springfield Airport Authority bonds were paid off in FY 2003, while the City of Collinsville bonds will be paid off in FY 2006.]

The following report looks at various debt-related statistics in an attempt to explain what has occurred in this area and what the potential direction of the State's bonding programs may be in the future. The estimates contained within for FY 2005 are projections by the Illinois Economic and Fiscal Commission based on the Governor's Office of Management and Budget's estimate of FY 2005 bond sales.

CURRENT BOND TOPICS

Debt Responsibility and Transparency

P.A. 93-0839 (SB 2206) set limits on debt and creates 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:

Bond limit - No bonds may be issued if, in the next fiscal year after the issuance the amount of debt service on all then outstanding bonds would exceed 7% of the aggregate appropriations 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.

Cost of issuance limitations - Up to 0.5% cost of issuance shall include underwriter's fees and discounts, but not bond insurance, and is authorized provided that no salaries of State employees or other State office operating expenses shall be paid out of non-appropriated proceeds. The Office of Management and Budget shall post summaries of all cost of issuance per bond sale on its website and submit the list to the legislative leaders and IEFC, including costs paid to businesses owned by minorities, females or persons with disabilities, within 20 business days of the sale or issuance. Copies of all contracts for costs of issuance shall be submitted to the IEFC within 20 business days of issuance. The Office of Management and Budget shall not contract with anyone who pays a contingent fee to a third party for promoting their selection and must wait 2 calendar years before contracting with a party who made a false certification of contingent fees.

Capitalized Interest –Removes the provision that allowed for capitalized interest.

Payment and Maturity - Bonds must be offered for sale with equal principal or mandatory redemption amounts, the 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 up to 25 years in maturity (maturity was 30 years).

Negotiated Sales - No more than 75% of bond sales, based on total principal amount, may be sold by negotiated sale within each fiscal year.

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. No refunding bonds shall be sold unless the net present value of debt service savings is 3% or more of the principal amount of the refunding bonds to be issued. The refunding principal maturing and redemption amounts due shall be greater than or equal to the principal maturing and redemption amounts of the bonds they are refunding.

"Truth in borrowing disclosures" are now required upon bond issuance, including principal and interest payments to be paid on the bonds over the full stated term and total principal and interest to be made each fiscal year on all other outstanding bonds issued over the full stated terms of those bonds. For refunding bonds, the disclosure shall state the estimated present-value savings to be obtained through the refund in total and by each fiscal year that the refunding bonds may be outstanding. These disclosures shall be provided within 20 days of issuance and posted for no less than 30 days on the website for the Governor's Office of Management and Budget and provided in written form to the Illinois Economic and Fiscal Commission. Amounts included in these disclosures when relating to variable rate bonds shall be computed at an interest rate equal to the rate at which the variable rate bonds are first set upon issuance plus 2.5% after taking into account any credits permitted, and amounts as payment of interest on variable rate bonds shall include the amounts certified by the Director of OMB.

Certificates of Participation - The State shall not enter into any third-party vendor or other arrangement relating to the issuance of certificates of participation (COPs) or other forms of financing relating to the rental or purchase of office or other space, buildings, or land unless otherwise authorized by law.

College Savings Bonds Grant Funding

In October of 2002, the State issued $62.1 million in tax-exempt, College Savings Bonds. If the bond buyer uses at least 70% of their investment proceeds to pay for an Illinois college they may also apply for a Bonus Incentive Grant (BIG) through the Illinois Student Assistance Commission, which would give them a cash bonus of up to $440 per bond upon maturity. The BIG program must have funds appropriated to it to cover the amount of possible grants for buyers of each issuance of College Savings bonds. FY 2004 demand was $113,000 greater than the $650,000 appropriated. The grant is based on a first come-first served basis, but no appropriations were made for FY 2005 meaning no grants were awarded at all for this year. Although the bonds are tax-exempt both federally and at the State level, the lack of grants decreases the incentive to buy these bonds. FY 2005 will be the first year in the program's 16-year history in which grants would not be funded.

2002 SERS Early Retirement Incentive (ERI) Program Funding Options

Public Act 93-0839 (SB 2206) amended the State Employees' and Teachers' Articles of the Pension Code to provide that the impact of the ERI must be recalculated, based on the increase in the present value of future benefits resulting from the ERI. Generally, changing the definition of the impact of the ERI to the present value of future benefits is a more accurate measure, as the accrued liability calculation includes cost factors that were not really the result of the ERI.

According to SERS, the increase in the present value of future benefits that resulted from the ERI was $1.75 billion, while the increase in accrued liability resulting from the ERI totaled $2.3 billion. The amount of the reduction, $550 million, will be funded over the remainder of the current funding plan (40 years), rather than funded as ERI liability over 10 years.

Public Act 93-0839 also provides that the State will contribute $70 million to SERS for the ERI in FY 2005, and the remainder of the increase in the present value of future benefits will be amortized over 10 years beginning in FY 2006. A level dollar payment is required. On October 19, 2004, SERS certified the annual ERI contribution required beginning in FY 2006 is $280.5 million. This certification recognizes the $1.75 billion in ERI liability that must be funded separately has grown to slightly more than $1.9 billion due to contributions of only $70 million in FY 2004 and FY 2005. This contribution amount was not sufficient to pay the interest (at 8.5%) on the $1.75 billion beginning balance, causing the "principal" to grow to more than $1.9 billion.

The Economic and Fiscal Commission has held hearings to review recommendations related to the funding of the 2002 SERS ERI. Below are the SERS ERI funding alternatives discussed at the Illinois Economic and Fiscal Commission's November 9, 2004 meeting.

There are two variables that may be changed regarding the funding of the 2002 SERS ERI liability; the length of the amortization period and the interest rate. The amortization may be changed by rolling the ERI liability back into the regular SERS funding plan, specifying a different amortization period in which the State will make payments to SERS, or selling bonds with different maturities and using the proceeds to "pay off" SERS. The interest rate could be reduced by selling bonds with an interest rate of less than 8.5%.

The following section discusses the possible ERI funding options and the effect of those options on the required FY 2006 State contributions to SERS. In addition, for each option discussed, Table 1 provides a summary of the required SERS contributions for select years throughout the funding plan. Table 2 provides the effect of the funding option on the financial condition of SERS.

- Current Law
  As discussed in the previous section, the State is required to amortize slightly more than $1.9 billion in liability over 10 years beginning in FY 2006. The statutory interest rate to be used in the calculation of the amortization payments is 8.5%, which is the assumed investment return of SERS. The resulting ERI payment is $280.5 million annually, beginning in FY 2006. This is the only ERI funding option that would not require a legislative change.

- Changing the Amortization Period
  The current ERI funding provision could be changed so the liability is funded over a period of longer than 10 years. Essentially, the State could extend the period in order to reduce the annual cost. If the amortization period were extended to 20 years, the annual ERI payment to SERS would total $202.7 million. The interest rate would remain at 8.5%. SERS is preparing projections on the effect that lengthening the ERI liability amortization period to 20 years would have on the financial condition of SERS.

- No Separate ERI Funding
  If the ERI liability were rolled back into the current regular SERS funding plan, the ERI liability would be funded over the remainder of the current fund plan (40 years) like the rest of the SERS unfunded liabilities. According to SERS, the required FY 2006 ERI contribution would be only $21.5 million if it were funded over 40 years, or $259 million less than required by current law. In fact, the contributions to SERS for the ERI would be very low for the first several years after the change was made. Then, as the end of the funding plan approaches, the required contributions to SERS become significantly greater than if the ERI liability were funded separately over 10 years beginning in FY 2006.

- Bonding of the ERI Liability
  The State could "refinance" the ERI liability by borrowing approximately $1.9 billion at a rate of interest lower than 8.5% and contributing the borrowed money to SERS. The annual debt service on the bonds would then depend on the maturity of the bonds and the interest rate on those bonds. The attached table provides a range of interest rates and maturities and the annual payments that would be required. Table 1 assumes the bonds would carry a maturity of 20 years and an interest rate of 6.5%. In addition, a level debt service payment is assumed.

The table below illustrates that current law requires the largest FY 2006 State contribution to SERS. In contrast, eliminating the separate funding for the ERI liability requires the smallest State contribution to SERS in FY 2006. But, under current law there is no ERI contribution required after FY 2015, as the ERI liability will be completely funded. Therefore, eliminating the separate ERI funding would require the State to contribute significantly more annually beginning in FY 2016. By the end of the funding period, the required contribution would be more than $500 million more than required by the current SERS funding provisions.

State Employees' Retirement Systems Required SERS Contributions (millions of $)						
FY	Current Law	20 Year Funding	No Separate ERI Funding	Bonding Total ERI		
				SERS	Bonds	Total
2006	$ 690.2	$ 612.4	$ 431.2	$ 409.7	$ 171.0	$ 580.7
2007	782.9	685.1	527.1	482.4	171.0	653.4
2008	830.6	752.8	619.8	550.1	171.0	721.1
2009	919.2	841.4	735.9	638.7	171.0	809.7
2010	1,013.9	936.1	860.6	733.4	171.0	904.4
2011	1,052.2	974.4	904.7	771.7	171.0	942.7
2012	1,082.0	1,004.2	940.4	801.5	171.0	972.5
2013	1,123.1	1,045.3	987.6	842.6	171.0	1,013.6
2014	1,162.6	1,084.8	1,033.5	882.1	171.0	1,053.1
2015	1,201.4	1,123.6	1,079.0	920.9	171.0	1,091.9
2016	961.5	1,164.2	1,126.6	961.5	171.0	1,132.5
2017	1,003.9	1,206.6	1,176.2	1,003.9	171.0	1,174.9
2018	1,048.5	1,251.2	1,228.5	1,048.5	171.0	1,219.5
2019	1,095.6	1,298.3	1,283.7	1,095.6	171.0	1,266.6
2020	1,145.2	1,347.9	1,341.8	1,145.2	171.0	1,316.2
2021	1,197.4	1,400.1	1,402.9	1,197.4	171.0	1,368.4
2022	1,252.4	1,455.1	1,467.3	1,252.4	171.0	1,423.4
2023	1,310.6	1,513.3	1,535.6	1,310.6	171.0	1,481.6
2024	1,360.5	1,563.2	1,594.0	1,360.5	171.0	1,531.5
2025	1,412.7	1,615.4	1,655.2	1,412.7	171.0	1,583.7
2026	1,464.3	1,464.3	1,715.6	1,464.3	0.0	1,464.3
2027	1,520.8	1.520.8	1,781.8	1,520.8	0.0	1,520.8
2028	1,580.4	1,580.4	1,851.7	1,580.	0.0	1,580.4
2029	1,643.1	1,643.1	1,925.1	1,643.1	0.0	1,643.1
2030	1,708.8	1,708.8	2,002.1	1,708.8	0.0	1,708.8
2031	1,777.6	1,777.6	2,082.7	1,777.6	0.0	1,777.6
2032	1,849.8	1,849.8	2,167.4	1,849.8	0.0	1,849.8
2033	1,925.1	1,925.1	2,255.5	1,925.1	0.0	1,925.1
2034	2,003.9	2,003.9	2,347.9	2,003.9	0.0	2,003.9
2035	2,086.4	2,086.4	2,444.5	2,086.4	0.0	2,086.4
2036	2,172.1	2,172.1	2,544.9	2,172.1	0.0	2,172.1
2037	2,261.2	2,261.2	2,649.3	2,261.2	0.0	2,261.2
2038	2,353.7	2,353.7	2,757.7	2,353.1	0.0	2,353.1
2039	2,449.7	2,449.7	2,870.2	2,449.7	0.0	2,449.7
2040	2,549.1	2,549.1	2,986.7	2,549.1	0.0	2,549.1
2041	2,652.2	2,652.2	3,107.4	2,652.2	0.0	2,652.2
2042	2,758.9	2,758.9	3,232.4	2,758.9	0.0	2,758.9
2043	2,869.4	2,869.4	3,361.9	2,869.4	0.0	2,869.4
2044	2,684.0	2,684.0	3,496.2	2,984.0	0.0	2,984.0
2045	3,102.9	3,102.9	3,635.5	3,102.9	0.0	3,102.9
Total	$65,339.8	$66,588.8	$73,148.1	$ 62,534.	$ 3,420.	$65,954.8

When compared to current law, extending the ERI liability funding period to 20 years decreases the annual amount the State must contribute to SERS through FY 2015. In fiscal years FY 2016 through FY 2025, the required SERS contributions would be higher than required by current law, as the State would still be required to make an ERI contribution. Then, for the remainder of the funding plan (through FY 2045), required State contributions to SERS would be the same under either alternative.

The actual cost to the State of bonding the ERI liability depends on the term of the bonds and the interest rate on those bonds. Table 1 assumes the bonds would mature in 20 years and carry an interest rate of 6.5%. Based on those variables, bonding the ERI liability is similar to extending the current amortization period to 20 years, but at a lower interest rate. Therefore, through FY 2025, the annual costs are lower when compared to the extension of the amortization period. After FY 2025, the required State contributions to SERS are equal under both alternatives.

State Employees' Retirement Systems
Projected Financial Condition

FY	Current Law	20 Year Funding	No Separate ERI Funding	Bonding
2006	54.3%	TBD	53.0%	63.1%
2007	55.2%	TBD	52.7%	62.9%
2008	56.2%	TBD	52.6%	62.9%
2009	57.5%	TBD	52.9%	63.1%
2010	58.9%	TBD	53.6%	63.6%
2020	68.0%	TBD	59.8%	68.0%
2030	72.9%	TBD	66.6%	72.9%
2040	82.5%	TBD	79.8%	82.5%
2045	90.0%	90.0%	90.0%	90.0%

Per current law, the funded ratio is expected to increase slightly every year throughout the end of the funding period. With no separate funding for the ERI liability, the funded ratio of SERS is expected to decline for the next few years before once again starting to increase annually beginning in FY 2009. Under the bonding alternative, the funded ratio of SERS would increase dramatically after the bond proceeds are contributed to SERS in FY 2006 and then steadily increase throughout the remainder of the funding plan. The effect of increasing the current amortization period from 10 to 20 years of service is being calculated by SERS.

Pension Obligation Bond Payment Changes

Public Act 93-0002 (HB 2660) amended the General Obligation Bond Act to increase bond authorization by $10 billion for pension obligation bonds. The taxable 30-year Pension Obligation bonds were sold in June 2003, at a true interest rate cost to the State of 5.047%. Debt service to be paid on these bonds will range from $481.0 million beginning FY 2004 up to $1.16 billion in the final years of payoff. The State will not have to begin making principal payments on the bonds until FY 2008, with payments beginning at $50.0 million and ending at $1.1 billion in FY 2033, while interest payments decrease from early highs of $481.0-$496.2 million down to $56.1 million by FY 2033 (See Table 6 on page 23).

A portion of the bond proceeds was used to pay part of the FY 2003 State contribution and all of the FY 2004 State contributions to the retirement systems. Of the $10 billion in proceeds, $7.3 billion was used to reduce the unfunded liabilities of the State-funded retirement systems. Public Act 93-0002 added a provision to the funding plan to reflect this additional employer contribution and to require the retirement systems to pay the bond debt service by setting the maximum annual employer contribution to each system at the amount that would have been contributed without the bond issuance, minus the total debt service payments for the fiscal year. Effectively, this reduction in retirement contributions was to be used to pay the debt service on the bonds.

Public Act 93-0839 provides SERS will collect a portion of the FY 2004 and FY 2005 SERS debt service on the bonds from State agency budgets, as is currently done with the SERS employer retirement contributions, rather than being paid directly from GRF to the General Obligation Bond Retirement and Interest Fund (GOBRI). The debt service collected by SERS would then be transferred from SERS to GOBRI. The FY 2004 and FY 2005 debt service that is the responsibility of SERS totals $185.1 million. Of this amount, $136.2 million (73.6% of SERS debt service) is attributable to debt service on the portion of the bond proceeds used to reduce the SERS unfunded liability.

Effectively, Public Act 93-0839 requires SERS to certify a rate of payroll, based on the FY 2005 State payroll projection, which will allow SERS to collect $136.2 million in debt service through agency payrolls. Allowing SERS to collect debt service through agency payrolls requires non-GRF funds (including federal funds) to pay part of the debt service. It should be noted that some of the proceeds of the pension funding bonds reduced the unfunded liability of SERS, including some liability that is associated with employees at agencies that are funded by non-GRF and federal funds. Therefore, the Act provides a mechanism for non-GRF and federal funds to pay a share of the debt service on bond proceeds that were used to reduce the SERS unfunded liabilities.

According to SERS, about 35% of State payrolls are from non-GRF funds and federal funds. So, the additional amount that agencies must contribute to debt service due to the additional certification will save the State an estimated $47.7 million (35% of $136.2 million) in GRF in FY 2005. Of course, this reduction in GRF is due to increased retirement contributions (for debt service) of $47.7 million from other State and federal funds.

Unemployment Compensation Bonds

In FY 2003, the Department of Employment Security stated that the Unemployment Insurance Fund was projected to have negative balances through at least calendar year 2008. The Department had already taken out loans from the federal government and needed to repay them before the State would be charged with interest. Public Act 93-

0634 allows the Department of Employment Security to issue up to $1.4 billion in Unemployment Compensation Bonds through FY 2009 with 10-year maturities. An agreement was reached among employer groups and the State to set contribution rate increases at certain levels which will end up decreasing the amount paid in 2009 from the rates under current law. IDES expects that with these changes--the issuance of bonds and expected economic recovery--the Trust Fund deficit should be eliminated by the end of 2009. The Department issued $712 million in Unemployment Insurance Fund Building Receipts Revenue Bonds. Proceeds of the bonds went to pay off approximately $511 million of federal advances, while the remainder was placed in the Unemployment Trust Fund Account to gain interest. The bonds are neither a general nor a moral obligation of the State, and will be repaid by 2013 from the Fund Building Receipts, (a portion of the contributions paid by employers).

Short-Term Borrowing

In June of 2004, the State entered into $850 million in short-term borrowing in an effort to maximize federal reimbursement as the result of an increased Medicaid match. Under P.A. 93-0674, a newly created Medicaid Provider Relief Fund was formed to receive the proceeds of $850 million from the borrowing, as well as federal matching funds attributed to expenditures from that fund. By the end of June, all $850 million was spent on Medicaid bills. That spending generated a federal match of $433.3 million.

HISTORY OF SHORT TERM BORROWING

Date Issued	Amount (mllions)	Date Retired
June-July 1983	$200	May 1984
February 1987	$100	February 1988*
August 1991	$185	June 1992
February 1992	$500	October 1992*
August 1992	$600	May 1993
October 1992	$300	June 1993
August 1993	$900	June 1994
August 1994	$687	June 1995
August 1995	$500	June 1996
July 2002	$1,000	June 2003
May 2003	$1,500	May 2004*
June 2004	$850	October 2004*

Source: Bureau of the Budget
*Across fiscal year borrowing

Per P.A. 93-0674 the balance in the Medicaid Provider Fund (as well as any other moneys subsequently deposited into that Fund) was transferred into the General Revenue Fund on July 1, 2004. As of November 2004, all $434 million had been transferred into the GRF. These funds were used to repay the short-term borrowing via subsequent transfers from the GRF to the General Obligation Bond Redemption and Interest Fund (GOBRI).

The State engaged in short-term borrowing twice in FY 2003. In May 2003, the State issued $1.5 billion in General Obligation Certificates to pay off overdue bills for Medicaid ($700 million), State Aid payments to K-12 school districts ($275 million), income tax refunds ($475 million) and to pay medical providers of long term care ($50 million). Up to 15% of the State's appropriations for the fiscal year may be incurred, but must be repaid within a year.

The State also borrowed $1.0 billion in July 2002 for cash flow purposes (up to 5% of the State's appropriations for the fiscal year may be incurred and must be repaid by the end of that fiscal year). The proceeds from this sale went to general funds to aid cash flow and provide medical assistance under Public Aid ($700 million), to the Income Tax Refund Fund ($150 million), and to pay medical providers for their medical assistance under the Public Aid Code ($150 million).

Illinois State Toll Highway Authority

The Illinois State Highway Authority's new 10-year plan includes the first raise in tolls since 1983. Under the new plan, ninety percent of the Tollway would be reconstructed and resurfaced using continually reinforced concrete, and would also be widened to add capacity. Another priority would be to convert the entire mainline system to open road tolling using I-PASS only lanes. The long-awaited I-355 extension would be constructed (State and federal permits and approvals would lapse if construction doesn't begin by 2007). The Tollway also would construct a 6-lane facility as its local share of the O'Hare bypass project, creating western access to O'Hare. This expansive 10-year plan would cost $5.3 billion, using $2.9 billion in bond revenues and $2.4 billion pay-as-you-go funding from revenues. There is no dollar amount limit on the Tollway's bonding authority, with a 25-year maximum maturity allowed [605 ILCS 10/17]. Tollway bonds are not backed by the State, but the governor must approve bond sales.

As of December 31, 2003, the Tollway's outstanding debt was $712 million. After 2004 debt service payments and deferred refunding amounts, total principal outstanding for beginning 2005 will be $656 million. The following is the projected debt service on current outstanding bonds, with the final principal payment due on January 1, 2017. (The *2004 payment was reduced due to the early retirement of the 1993A bonds)*

Year Ending December 31	Principal Payment	Interest Payment	Total Debt Service
2003	$41.20	$38.40	$79.60
2004	$13.46	$35.26	$48.72
2005	$45.04	$34.59	$79.63
2006	$47.35	$32.34	$79.69
2007	$50.03	$29.87	$79.90
2008	$52.75	$27.26	$80.01
2009	$45.47	$24.50	$69.97
2010	$49.91	$22.27	$72.18
2011	$53.04	$19.14	$72.18
2012	$56.37	$15.82	$72.19
2013	$59.47	$12.72	$72.19
2014	$62.74	$9.45	$72.19
2015	$66.10	$6.00	$72.10
2016	$69.20	$2.99	$72.19
TOTAL	**$670.93**	**$272.21**	**$943.14**

The Tollway expects that the new toll rates, effective January 1, 2005 will bring in an additional $241 million increasing 2005 revenues to $627 million. Using this new 2005 base, and including an average annual growth rate of 2.8%, toll revenues should reach approximately $828 million in 2014. Current bonds require a debt service payment of approximately $80 million annually from 2005 to 2008 and approximately $72 million from 2009 through 2017. In 2005 the Tollway will sell $700 million in bonds for the new 10-year plan. The bonding scenarios created by the Tollway include interest rates of 5.25%-5.5% with 25-year maturities. The total issuance of $2.9 billion in bonds would add approximately $270 million in debt service at its highest level in 2018, after the current bonds are paid off.

The Tollway has estimated 3.0% growth in operating expenditures. With the increase in tolls and the 2008 addition of the South extension, it appears that there will be a minimum 2 times coverage of revenues to debt service, net of operating expenses. Current bond covenants require 1.3 times coverage, while past debt service ratios for current outstanding bonds have ranged from 2.64 to 2.9 since 1999. Extra revenues, net of operating expenses and debt service, through 2014 will be used for the $2.4 billion pay-as-you-go projects included in the Tollway's 10-year plan. Net revenues after 2014 would be available for future programs.

School Construction Update

The School Construction Grant Program has received its last appropriations in FY 2004, but applications requesting grants continue to come in to the State Board of Education unsolicited.

Grant Applications per Fiscal Year	1998	1999	2000	2001	2002	2003	2004	2005	2006
Applications Received	57	197	157	166	204	94	48	92	22
Applications Entitled*	53	161	131	148	97①	8†	7†	4†	2†

*"*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)

①There 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.

† FY 2003 through 2005 entitlements are suspended except for emergency situations. This amount denotes estimated emergency situations.

Public Act 92-0598, which was signed into law at the end of FY 2002, increased School Construction authorization by $930 million. The FY 2003 and FY 2004 appropriations of $500 million each, allowed for the funding of 87% of the entitled FY 2002 projects. Of the 97 entitled applications in FY 2002, 24 projects remain on the list (Chicago gets 20% of total funding spent) and have not received funding. The

School Construction Fund receives a portion of general obligation bond sale proceeds, which are sold as needed for the approved construction projects. Grant amounts to schools for construction projects and costs are paid out of this fund.

Appropriation by Fiscal Year ($ in Millions)	1998	1999	2000	2001	2002	2003	2004
State Appropriation	$30.0	$327.0	$540.0	$500.0	$740.0	$500.0	$500.0

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. The telecom revenues fell to under $100 million in FY 2003 and still have not totally recovered. Whenever this amount falls under the 1999 level of $101 million, GRF backfills the shortage amount, which it did in FY 2004 by an additional GRF transfer of $11.8 million. 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.

School Infrastructure Fund ($ in Millions)	1998	1999	2000	2001	2002	2003	2004	Est. 2005
Telecom. Excise Tax	$35.2	$101.5	$108.5	$114.9	$110.4	$89.7	$79.1	$80.1
Liquor Tax*/GRF	----	----	$30.0	$60.0	$0.0*	$0.0*	$71.8	$60.0
Cigarette Tax	----	----	----	----	----	$15.0	$60.0	$60.0
TOTAL	**$35.2**	**$101.5**	**$138.5**	**$174.9**	**$110.4**	**$104.7**	**$199.1**	**$200.1**

Note: Illinois Economic and Fiscal Commission estimates

**The liquor tax transfer was suspended for FY 2002 and FY 2003 as part of the budget agreement.*

Funds are transferred monthly from the School Infrastructure Fund to the General Obligation Bond Retirement and Interest Fund to pay for the school construction portion of debt service. The following table shows the debt service on school construction bonds tied to transfers from the School Infrastructure Fund.

G.O. Bond Retirement & Interest Fund ($ in Millions)	1998	1999	2000	2001	2002	2003	2004	Est. 2005
Debt Service tied to transfer from School Infrastructure Fund	N/A	$7.0	$21.2	$49.4	$73.2	$127.5	$155.2	$196.5*

Source: Office of Management and Budget

*The 2005 estimate only includes the September and November 2004 bonds issued with debt service schedules provided by the Office of the Comptroller.

The IEFC estimates $200.1 million in revenues and a minimum of $196.5 million in debt service for FY 2005. School Construction portions of the September and November 2004 bond sales will increase FY 2006 debt service by $15.5 million to $212 million. After these two issuances, approximately $521 million in School Construction authorization remains to be issued. If those bonds are issued and performance of the telecommunications tax doesn't improve, the General Revenue Fund will pay the shortage in debt service. Since School Construction bonds are General Obligations of the State they would normally be paid from the General Revenue Fund, but over the years, whenever the School Construction Program has been expanded the State has added specific revenue streams to help pay for the increase in funding.

Governor Blagojevich requested to enhance the School Construction Program with an additional $2.2 billion in spending over four years for construction and maintenance projects in his 2005 Capital Plan. Spending would begin with $500 million for construction and $50 million for maintenance in the first year of the five-year capital plan. Selling $550 million in G.O. bonds a year for 4 years would increase the debt service payment level by $50 million in the early years for each bond sale (using a 25 year level principal payment scenario at a 5.25% interest rate). **If bond authorization does increase, additional funding for debt service may be required.**

If the Governor's School Construction increase were approved, the 24 FY 2002 projects would receive money first since they have actually been entitled. Applications for FY 2003 and after will have to go through the entitlement process before funds are appropriated. The 2005 Capital Plan stated that "recent data suggests that Illinois school districts have self-assessed their needs at over $6 billion with $3.8 billion of that simply needed to repair and upgrade existing facilities" (p. 31).

BOND SALES

The following table provides information on general obligation and State-issued bond sales, which have occurred during the past two fiscal years.

TABLE 1: BOND SALES ($ In Millions)				
FY 2003				
Type of Bond	Issuance	Amount	Competitive or Negotiated	Purpose
General Obligation	July 2002	$395.0	Negotiated	Project Funding
Revenue Anticipation Certificates	July 2002	$1,000.0	Competitive	Short-Term Borrowing
General Obligation	August 2002	$564.9	Negotiated	Refunding
General Obligation	October 2002	$395.0	Negotiated	Project Funding
G.O. College Savings	October 2002	$62.1	Negotiated	Project Funding
Build Illinois	November 2002	$182.2	Negotiated	Project Funding
General Obligation	December 2002	$400.0	Negotiated	Project Funding
Build Illinois	December 2002	$54.3	Negotiated	Refunding
Build Illinois	March 2003	$75.8	Negotiated	Refunding
General Obligation Certificates	May 2003	$1,500.0	Competitive	Short-Term Borrowing
G.O. Pension Obligation	June 2003	$10,000.0	Negotiated	For Pension Systems
General Obligation	June 2003	$460.0	Negotiated	Project Funding
	Total FY'03	**$15,089.3**		
Type of Bond	Issuance	Amount	Competitive or Negotiated	Purpose
Build Illinois	July 2003	$150.0	Negotiated	Project Funding
General Obligation	October 2003 series A	$363.0	Negotiated	Project ($130.8) and Refunding
General Obligation	October 2003 series B variable rate	$600.0	Negotiated	Project ($559.8) and Refunding
Build Illinois	March 2004	$200.0	Negotiated	Project Funding
General Obligation	March 2004 series A	$484.4	Negotiated	Project Funding
General Obligation	March 2004 series B	$344.8	Negotiated	Refunding
General Obligation Certificates	June 2004	$850.0	Competitive	Short-Term Borrowing
	Total FY'04	**$2,992.2**		

As Table 1 shows, total bond sales for FY 2003 equaled $15.089 billion. Neither short-term debt, nor Pension Obligation Bonds are for projects, therefore, minus these, the total bond sales would equal $2.589 billion. Of this total, $1.894 billion was for new projects. FY 2004 bond sales totaled $2.992 billion, of which $1.525 billion was for new projects, a decrease of 19.5% over the FY 2003 level. The following table illustrates the changes in bond sales by purpose from FY 2003 to FY 2004.

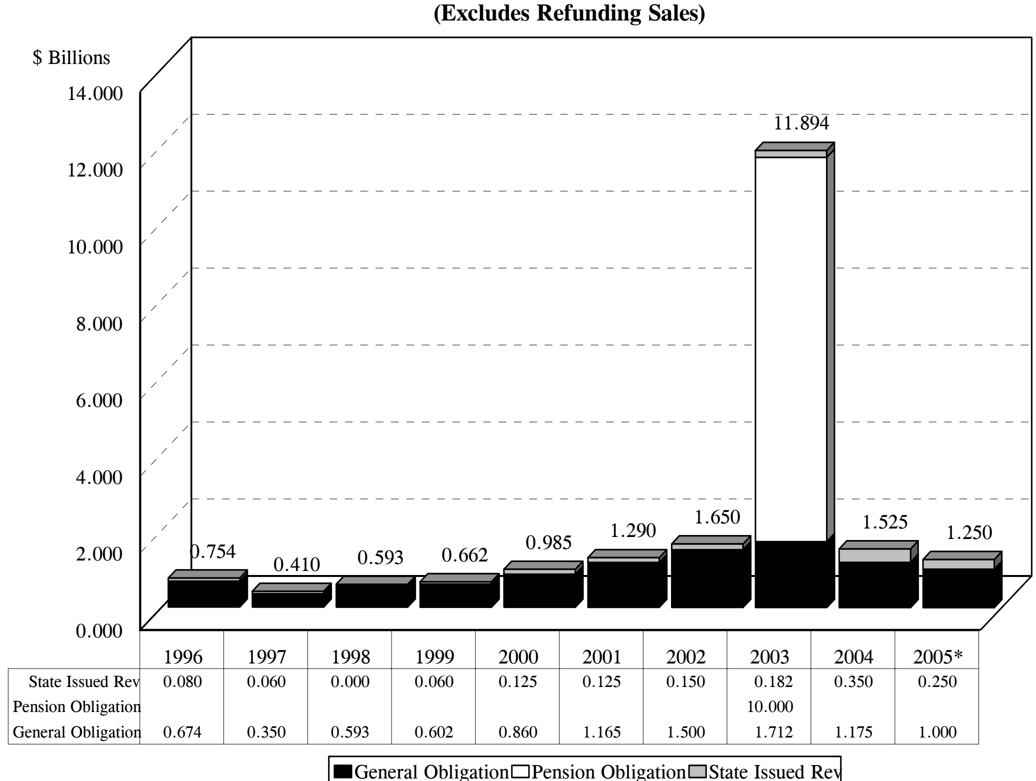
TABLE 2: TOTAL BOND SALES BY PURPOSE ($ in Millions)				
	FY 2003	FY 2004	$ Change	% Change
Projects	$1,894.3	$1,525.0	-$369.3	-19.5%
Refunding	695.0	617.2	-77.8	-11.2%
TOTAL	**$2,589.3**	**$2,142.2**	**-$447.1**	**-17.3%**

Project and Refunding bond sales for FY 2004 remained fairly consistent with what occurred in FY 2003. The Governor's Office of Management and Budget (previously the Bureau of the Budget) has always sought refundings of bond issues whenever savings would be seen. Although FY 2000 saw no refundings, the State refunded $288 million in FY 2001, $654 million in FY 2002, $695 million in FY 2003, and $617 million in FY 2004. When bonds are refunded with lower interest rates, they create savings over the remaining life of the refunded bond debt. The ability to refund bonds is dependent on the corresponding bond agreement, whether it allows bonds to be called early, how early, and at what premium (extra percent over the 100% value). To keep their federal tax-exempt status, bonds may only be advance refunded once. Bonds sold to fund project expenditures are shown in Chart 1 and are further described according to the type of State support.

CHART 1

STATE-SUPPORTED BOND SALES

(Excludes Refunding Sales)



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
State Issued Rev	0.080	0.060	0.000	0.060	0.125	0.125	0.150	0.182	0.350	0.250
Pension Obligation								10.000		
General Obligation	0.674	0.350	0.593	0.602	0.860	1.165	1.500	1.712	1.175	1.000

* GOMB Estimate

Source: Governor's Office of Management and Budget

Chart 1 shows the level of general obligation bond and State-issued revenue bond sales for new money projects since 1996. In FY 2004, the State sold $1.175 billion in general obligation bonds and $350 million in State-issued revenue bonds. Estimated bond sales for FY 2005 are $1.25 billion, consisting of $1 billion in general obligation bonds and $250 million of Build Illinois bonds.

General Obligation Bonds

Table 3 breaks down general obligation sales for FY 2003 and FY 2004 by purpose. In FY 2004, new project G.O. bond sales decreased 31.4% to $1.175 billion, while refunding sales increased 9.3% to $617.2 million.

TABLE 3: G.O. BOND SALES BY PURPOSE
($ in Millions)

	FY2003	FY2004	$ Change	% Change
Projects	$1,712.1	$1,175.0	-$537.1	-31.4%
Refunding	564.9	617.2	52.3	9.3%
TOTAL	**$2,277.0**	**$1,792.2**	**-$484.8**	**-21.3%**

The Governor's Office of Management and Budget estimates $1.0 billion in bond sales for FY 2005, indicating a decrease in the sale of general obligation project bonds of 14.9%. In September, the State sold $285 million in bond proceeds and another $275 million was sold November 2004. The Office of Management and Budget has stated that they may sell another issue in December, but with no new Capital Plan appropriations for FY 2005, there may be fewer bond sales than predicted.

P.A. 93-0839 (SB 2206) set limits on State bonding and requires greater transparency from the Governor's Office of Management and Budget through disclosure of bond deals beginning in FY 2005. Both the September ($285 million) and November ($275 million) General Obligation bonds were issued following the new provisions, with a maximum 25-year maturity and level principal debt service payments. The new law also requires that a minimum of 25% of bonds issued in a fiscal year must be sold by competitive sale. With an expected $1 billion in total FY 2005 bond sales estimated by the Office of Management and Budget, the $285 million September issue, which was sold by competitive sale, meets this requirement.

Capitalized interest is no longer allowed, and issuance costs for both issues were under 0.5% of each respective bond sale, as required by law. Truth in disclosure statements were posted on the Office of Management and Budget's website and submitted to the Economic & Fiscal Commission within 20 business days of the issuances. Contracts pertaining to cost of issuance were received by the Commission within the required time period.

State-Issued Revenue Bonds

State-issued revenue bonds consist of bonds sold for the Build Illinois program and the Civic Center program.

Build Illinois. In FY 2004 new money bonds sales for Build Illinois were $350 million, while no refunding bonds were sold. The Governor's Office of Management and Budget estimates $250 million of new money bond sales for Build Illinois in FY 2005. Table 4 compares all Build Illinois bond sales by purpose for FY 2003 and FY 2004.

TABLE 4: BUILD IL BOND SALES BY PURPOSE
($ in Millions)

	FY 2003	FY 2004	$ Change	% Change
Projects	$182.2	$350.0	$167.8	92.1%
Refunding	130.1	0	-130.1	-100.0%
TOTAL	**$312.3**	**$350.0**	**$37.7**	**12.1%**

Civic Centers. In FY 1992, the State sold $75 million in Civic Center bonds for various projects throughout the State. This sale amount was based on the estimated 3-year spending needs so that no additional sales would be required for several years. The State issued $37.6 million in Civic Center refunding bonds in FY 1998 and $50.3 million of refunding bonds in FY 2001. There are no plans to issue new project money for the Civic Center program, and no new project money has been issued since 1991 when Governor Edgar placed a moratorium on the program.

Locally-Issued Revenue Bonds

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, insured rating of AAA/AAA, for the renovation of Soldier Field and related lakefront property. The Authority issued new money bonds in FY 2004 in the amount of $42.5 million.

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 amounts of $802 million. The only issuances in FY 2003 and FY 2004 were refundings of $303.7 million and $42.5 million respectively.

Regional Transportation Authority. The Regional Transportation Authority has State-supported bonds called Strategic Capital Improvement Project (SCIP) bonds. The RTA is given authorization of $260 million a year from FY 2000 to FY 2004, equaling a total of $1.3 billion in SCIPs. If the full $260 million is not issued within the calendar year it is authorized, the remaining amount remains available for future issuance. The RTA has sold the following SCIP bonds:

FY 2000	$ 260 million
FY 2001	$ 100 million
FY 2002	$ 160 million
FY 2003	$ 260 million
FY 2004	$ 0 million
FY 2005	$ 260 million (sold September 2004)
TOTAL	$1,040 million

These bonds were competitively bid, and when sold, the RTA received bond premiums which gained them approximately $117 million in additional bond proceeds. The Office of the Governor and the RTA have decided to count the additional proceeds from the premiums towards the Authority's bond authorization level. This will lower the level of bonds remaining to be sold from $260 million to $143 million. The $117 million from premiums could be used for capital programs, transaction costs or debt service, but the RTA plans on using it for capital programs. The entire $1.157 billion that the RTA has banked from the bond sales is net of transaction costs and no proceeds have been used for debt service.

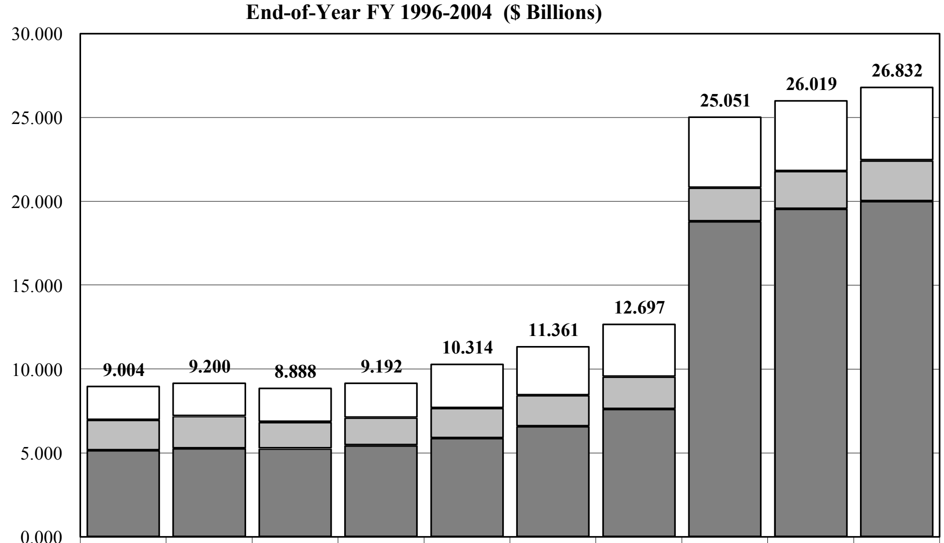
OUTSTANDING DEBT

Short-term borrowing and unfunded pension liabilities are considered a part of a state's financial picture by rating agencies, but are not calculated in the State's outstanding debt. In FY 2003, short-term debt of $1.0 billion was issued in July 2002 and paid off in June of 2003, while another $1.5 billion in short-term debt was issued in May 2003. In FY 2004, the State sold $850 million in short-term debt to take advantage of an increased Federal match for Medicaid reimbursements. Also in FY 2003, to help fund the State's Pension Systems' unfunded liability, Illinois issued $10.0 billion in Pension Obligation Bonds, which shifted approximately $7.3 billion dollars of unfunded liability to $10.0 billion of long-term debt.

CHART 2

STATE-SUPPORTED PRINCIPAL OUTSTANDING

End-of-Year FY 1996-2004 ($ Billions)



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
Locally-Issued Revenue	2.026	1.999	2.031	2.087	2.630	2.917	3.154	4.239	4.210	4.385
State-Issued Revenue	1.818	1.924	1.589	1.649	1.798	1.844	1.913	1.999	2.253	2.429
General Obligation	5.160	5.277	5.268	5.456	5.886	6.600	7.630	18.813	19.556	20.018

General Obligation State-Issued Revenue Locally-Issued Revenue

* IEFC Estimate
Sources: Governor's Office of Management and Budget, MPEA, ISFA, and RTA

Chart 2 indicates that from FY 2002 to FY 2003, total outstanding State-supported principal increased 97.3% to $25.051 billion. In FY 2004 principal increased $968 million, or 3.9%, while increases for FY 2005 are estimated to be approximately $813 million, bringing the total outstanding State-supported principal to $26.832 billion.

General Obligation Bonds

General Obligation principal outstanding at the end of FY 2002 was $7.630 billion. Outstanding G.O. principal at the end of FY 2003 reached $18.813 billion, an increase of 146.6%, attributed to the $10.0 billion sale of Pension Obligation Bonds. G.O. principal at the end of FY 2004 equaled $19.556, an increase of 3.9%.

State-Issued Revenue Bonds

Since 1998 outstanding principal for State-issued revenue bonds has increased by an average of $94 million a year up to the estimated FY 2004 level. All increases since that time have been strictly from the Build Illinois bond program. FY 2004 increased to $2.253 billion over the previous year, approximately 12.7%.

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 $443.7 million and the first of a series of Regional Transportation Authority "Strategic Capital Improvement Project" bond sales authorized through Illinois First. In FY 2001, principal outstanding increased due to another McCormick Place expansion bond sale of $267.7 million and an RTA SCIP sale of $100 million. FY 2002 saw the sale of $399 million sale 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 $42.5 million in new project bonds, and at the end of the first quarter of FY 2005 the RTA sold $260 million in SCIP bonds.

DEBT SERVICE

As the level of outstanding debt grows, the amount of principal and interest payments, or debt service, increases as well. The following section looks at the required debt service levels for the various types of State-supported debt.

General Obligation

G.O. debt service is paid from the General Obligation Bond Retirement and Interest Fund, which receives transfers from the Road Fund (for Transportation A/highways), the School Infrastructure Fund, and the General Revenue Fund. In FY 2004, the Road Fund supported $192.7 million (20.7%) of G.O. debt service, the School Infrastructure Fund $155.2 million (16.7%) and the General Revenue Fund $583.4 million (62.6%).

Interest on the Pension Obligation Bonds was $481 million in FY 2004 and $496.2 million in FY 2005. Public Act 93-0839 required SERS to collect and pay a total of $136.2 million in FY 2005 for POB debt service. 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. Of this amount approximately $69.2 million will be paid from employer contributions to SERS for FY 2005 debt service. The remaining $67 million in FY 2005 is to "repay" the General Revenue Fund for FY 2004 interest on POBs, even though this interest was capitalized (paid from the bond proceeds).

TABLE 5: GENERAL OBLIGATION DEBT SERVICE BY FUND

($ Millions)	FY 2002 Amount	FY 2003 Amount	FY 2004 Amount	FY 2004 % of Total	Amount	FY 2005* % 0f Total
Road Fund	$195.7	$215.0	$192.7	20.7%	$238.3	21.5%
School Infrastructure Fund	73.2	129.5	155.2	16.7%	196.5	17.7%
General Revenue Fund	582.6	628.9	583.4	62.6%	663.9	60.8%
SUBTOTAL	**$851.5**	**$973.4**	**$931.3**	**100.0%**	**$1098.7**	**100.0%**
General Revenue Fund for POBs	0.0	0.0		N/a	360.0	N/A
Capitalized Interest from POB proceeds			481.0			
Other Funds for POBs* (*per SERS' certification)					136.2	
TOTAL	**$851.5**	**$973.4**	**$1,412.3**	N/a	**$1,594.9**	N/A

(*Estimates for FY 2005 were made by IEFC using information from the Office of Management and Budget and the Office of the Comptroller)

Chart 3, on the following page shows general obligation debt service payments broken out by principal and interest.

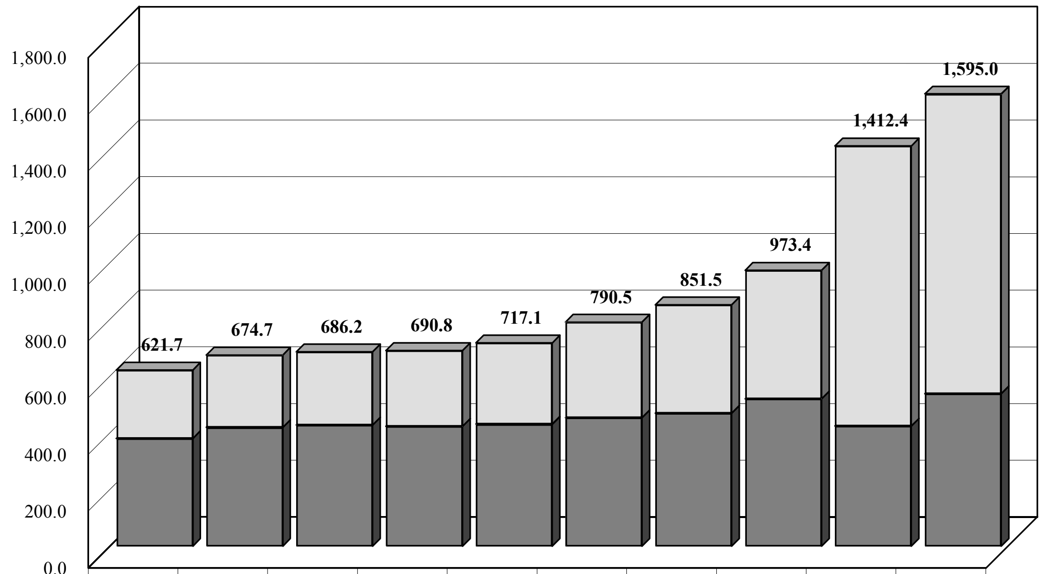
The Governor's Office of Management and Budget estimates general obligation debt service of $1.582 billion in FY 2005, but these numbers do not include expected FY 2005 bond sales. The Commission has added the interest to be paid on the September and November 2004 bonds sales to the general obligation debt service estimate, making FY 2005 debt service approximately $1.595 billion. If no other bonds are sold through December, there will be no principal payments to add to FY 2005 debt service and no additional interest payments based on when debt service payments of the second half of FY 2005 bond sales would fall.

CHART 3

GENERAL OBLIGATION DEBT SERVICE

$ Millions

Principal and Interest



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
Interest	241.7	255.6	258.9	267.8	286.7	336.6	382.6	453.2	988.7	1,056.7
Principal	380.0	419.1	427.3	423.0	430.5	453.9	468.9	520.2	423.7	538.3

Principal Interest

* GOMB estimate
Source: Governor's Office of Management and Budget

The large increase in debt service starting in FY 2004 comes from the issuance of the Pension Obligation bonds. Debt service will range from $481 million beginning FY 2004 up to $1.16 billion in the final years of payoff. The State does not begin making principal payments on these bonds until FY 2008, with payments beginning at $50 million and ending at $1.1 billion in FY 2033, while interest payments decrease from early highs of up to $496.2 million down to $56.1 million by FY 2033. The actual debt service schedule is listed on the following page in Table 6.

The goal of the Pension Obligation Bond plan was to gain budget relief for the General Revenue Fund by using bond proceeds for the State's remaining FY 2003 payment and all of FY 2004 payments. In addition, the bond proceeds would generate approximately $7.5 billion for the five pension systems to invest, which would in theory draw down the unfunded liabilities. A hold harmless clause was included as part of the legislation for these bonds; it asserts that the State's contribution to each system shall not exceed the contribution it would have paid absent the bonds, and minus the debt service on these bonds. In this way, until the bonds are retired in 2033, the General Revenue Fund is not exposed to payments any higher than those that would have occurred absent the bond sale.

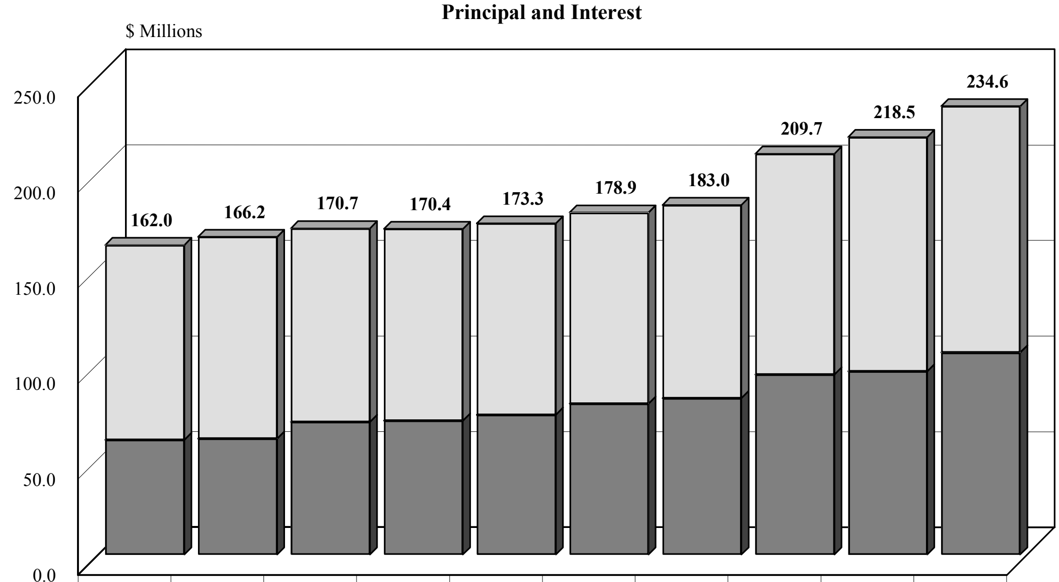
TABLE 6: PENSION OBLIGATION BONDS DEBT SERVICE SCHEDULE			
FY ending June 30	**Principal**	**Interest**	**Total FY Debt Service**
2004	$0	$481,038,333	$481,038,333
2005	0	496,200,000	496,200,000
2006	0	496,200,000	496,200,000
2007	0	496,200,000	496,200,000
2008	50,000,000	496,200,000	546,200,000
2009	50,000,000	494,950,000	544,950,000
2010	50,000,000	493,550,000	543,550,000
2011	50,000,000	491,900,000	541,900,000
2012	100,000,000	490,125,000	590,125,000
2013	100,000,000	486,375,000	586,375,000
2014	100,000,000	482,525,000	582,525,000
2015	100,000,000	478,575,000	578,575,000
2016	100,000,000	474,525,000	574,525,000
2017	125,000,000	470,175,000	595,175,000
2018	150,000,000	464,737,500	614,737,500
2019	175,000,000	458,212,500	633,212,500
2020	225,000,000	449,550,000	674,550,000
2021	275,000,000	438,412,500	713,412,500
2022	325,000,000	424,800,000	749,800,000
2023	375,000,000	408,712,500	783,712,500
2024	450,000,000	390,150,000	840,150,000
2025	525,000,000	367,200,000	892,200,000
2026	575,000,000	340,425,000	915,425,000
2027	625,000,000	311,100,000	936,100,000
2028	700,000,000	279,225,000	979,225,000
2029	775,000,000	243,525,000	1,018,525,000
2030	875,000,000	204,000,000	1,079,000,000
2031	975,000,000	159,375,000	1,134,375,000
2032	1,050,000,000	109,650,000	1,159,650,000
2033	1,100,000,000	56,100,000	1,156,100,000
TOTAL	**$10,000,000,000**	**$11,933,713,333**	**$21,933,713,333**

State-Issued Revenue 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 4 which indicates that $218.5 million paid principal and interest in FY 2004 which is expected to increase 5.4% to $234.6 million in FY 2005.

CHART 4 **STATE-ISSUED REVENUE DEBT SERVICE**

Principal and Interest



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
Interest	102.0	105.5	101.3	100.3	100.1	100.0	101.0	115.5	122.6	128.9
Principal	60.0	60.7	69.4	70.1	73.2	79.0	81.9	94.3	95.9	105.7

Principal Interest

* GOMB estimate
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. Total debt service amounts for the Build Illinois program totaled $204.7 million in FY 2004, consisting of $89.7 million in principal and $115 million in interest. The Governor’s Office of Management and Budget estimates the FY 2005 level of principal and interest payment to be $220.7 million, an increase of 7.8%.

Civic Centers. 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.

BOND AUTHORIZATIONS

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, no matter what. States wishing to issue debt to aid in their budget crises have begun to use the G.O. pledge 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 more recently 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 7: GENERAL OBLIGATION AUTHORIZATION LEVELS

(in billions)	New Projects	Tobacco	Pension Systems	**Subtotal**	Refunding	**Total**
May 2000	$14.198	N/a	N/a	**$14.198**	$2.839	**$17.037**
June 2001	$15.265	N/a	N/a	**$15.265**	$2.839	**$18.104**
June 2002	$16.908	$0.750	N/a	**$17.658**	$2.839	**$20.497**
April 2003	$16.908	$0.750	$10.000	**$27.658**	$2.839	**$30.497**
January 2004	$16.927	$0.0	$10.000	**$27.677**	$2.839	**$29.766**

The current General Obligation bond authorization for new projects is $16.927 billion, after the increase of $19 million in Anti-Pollution bonds approved in January 2004, with approximately $3.5 billion unissued since December 21, 2004. The $10.0 billion of authorization for Pension Obligation Bonds was sold all in one issuance in June 2003, while Tobacco "Securitization" bond authorization has expired.

The table on the following page lists the General Obligation Bond authorization level per statute, what has not been issued, and the remaining authorization "Available" after expected FY 2005 appropriations, as of October 31, 2004.

TABLE 8: STATUS OF G.O. BONDS				
(in billions)	**Authorization**	**Un-Issued (12/2004)**	**Appropriated†**	**Available†**
Capital Facilities	$7.320	$1.628	$7.067	$0.253
School Construction	$3.150	$0.521	$3.082	*$0.068
Anti-Pollution	$0.480	$0.024	$0.476	$0.005
Transportation A	$3.432	$0.376	$3.495	-$0.063
Transportation B	$1.882	$0.441	$1.849	$0.032
Coal Development	$0.663	$0.569	$0.175	$0.488
Subtotal	**$16.927**	**$3.559**	**$16.144**	**$0.783**
Tobacco bonds	$0.750	$0.750	$0	$0
Pension bonds	$10.000	$0	$10.000	$0
Total	**$27.677**	**$4.309**	**$26.144**	**$0.783**
	Limit	**Un-Issued**	**Outstanding**	**Available**
Refunding°	$2.839	$0.905	$1.999	$0.840
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 2004 and FY 2005 appropriations and reappropriations through November 30, 2004.

**Only $24 million of the School Construction Fund "available" is for the $3.05 billion School Infrastructure Program.*

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

Although neither the Budget Book nor the Capital Plan discuss specific authorization changes to General Obligation or Build Illinois bonds, the 2005 Capital Plan suggested two long-term programs--an additional $2.2 billion over 4 years for the School Construction Plan, of which $550 million would be appropriated in the first year, and a $2 billion 5-year program for roads (Transportation A) with a $500 million appropriation in the first year. G.O. bond debt authorization will have to be increased by the legislature for these or any other new programs.

State-Issued Revenue Bonds

The Build Illinois program began in 1985 as a $1.3 billion economic development initiative composed of $948 million in bonds and $380 million in current funding. Since that time, the bond program has been expanded and authorization for the past four years increased:

TABLE 9: BUILD ILLINOIS AUTHORIZATION LEVELS		
YEAR	PUBLIC ACT	INCREASE
1999	91-0039	$754 Million
2000	91-0709	61.0 Million
2001	92-0009	688.7 Million
2002	92-0598	264.8 Million

Total Build Illinois bond authorization equals $3.806 billion with $886.8 million remaining unissued at the end of FY 2004. Timing of the issuance of bonds is dependent on construction schedules. There is no refunding limit placed on Build Illinois bonds. The Governor's Budget Book requested a $15 million increase in Build Illinois authorization, but no legislation has passed to increase project funding.

Locally-Issued Revenue Bonds

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.

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 $44.6 million of unissued authorization.

The Regional Transportation Authority has an annual authorization of $260 million from FY 2000 to 2004, equaling $1.3 billion. After the sale of $260 million of bonds in late September 2004, the Authority has approximately $260 million left of SCIP authorization, but the bond premiums they have received on previous SCIP sales has lowered the remaining bonding authority to $143 million (per an agreement with the Office of the Governor).

DEBT COMPARISONS: ILLINOIS v. OTHER STATES

Table 10 shows Illinois' ranking in comparison with the top ten states for the most net tax-supported debt per capita as reported in Moody's *2004 State Debt Medians*. In 2002 debt per capita rose across the nation with the national average at $838; in 2003 the national average rose to $944. Illinois was ranked 11th highest at $1,040 for 2002 debt per capita, but moved higher on the charts to the 6th highest state in debt per capita in 2003 at $1,943, an increase of $903.

Illinois was the state with the biggest increase in debt per capita from 2002 to 2003, closely followed by Alaska ($868) and Oregon ($827), with the fourth biggest increase by Wisconsin ($367). Of the 38 states with increases in debt per capita, 16 increased by triple digits, 21 by double digits and one state by a single digit. Virginia was the only state to stay at the same level of debt per capita, $546, which allowed it to move down from the 27th highest to 33rd highest. Of the eleven states that decreased in debt per capita, two decreased by single digits, 7 by double digits and two by triple digits. Rhode Island went from 7th highest to 9th with a $123 decrease, while Vermont moved down the list from 16th to 24th with a decrease of $137.

These figures represent changes from 2002 to 2003, while next year's numbers will show large increases in debt per capita from other states who did not use bonding in prior years but finally resorted to debt options to help fund another year of budget gaps. California will move up the list in 2004 due to its heavy increase in bonding during the year with up to $7.5 billion in expected sales of economic recovery bonds, gambling securitization, pension bonds and general obligation bonds.

TABLE 10: NET TAX-SUPPORTED DEBT PER CAPITA
(using net state tax-supported debt as of the end of calendar year 2002 and 2003)

	2002		**2003**	
RANK	STATE	PER CAPITA DEBT OUTSTANDING	STATE	PER CAPITA DEBT OUTSTANDING
1	Connecticut	$3,440	Connecticut	$3,558
2	Massachusetts	$3,298	Massachusetts	$3,333
3	Hawaii	$3,111	Hawaii	$3,101
4	New Jersey	$2,110	New York	$2,420
5	New York	$2,095	New Jersey	$2,332
6	Delaware	$1,599	**Illinois**	$1,943
7	Rhode Island	$1,508	Delaware	$1,800
8	Washington	$1,507	Washington	$1,580
9	Mississippi	$1,207	Rhode Island	$1,385
10	Kentucky	$1,095	Wisconsin	$1,325
11	**Illinois**	**$1,040**	Oregon	**$1,281**
Range	$3,440 to $38 (Nebraska)		$3,558 to $43 (Nebraska)	

SOURCE: Moody's 2004 State Debt Medians
This table uses a measure done by Moody's rating agency with calendar year 2003 data.

Table 11 lists the ten states that have the highest net tax supported debt in the U.S. In 2002, the national total was $261 billion, and Illinois was ranked 6th with $13.1 billion in net tax-supported debt, making up approximately 5.0% of the nation's total. In 2003 Illinois' net tax supported debt increased by $11.5 billion to $24.6 billion making it the 3rd highest state with 8.1% of the nation's total. It also was the largest increase in debt by any state, with the second largest increase being California with $9.2 billion, and third New York with $6.3 billion. Eleven states decreased their debt, the biggest decrease being Texas by approximately $478 million.

The top 10 states in 2002 held 67.2% of the nation's debt, while the same states remained in the top 10 in 2003 and held 68.1% of the nation's net tax supported debt. Moody's Investors Service says that state net-tax supported debt rose at the fastest rate seen in at least the last 24 years, "by 16.8% in 2003, well above the 6.5% rate of the last two years and the 7.0% average of the last 10 years."

> Among the largest transactions boosting state debt in 2003 were the $10 billion Illinois pension obligation bond, the $1.8 billion Wisconsin pension obligation bond, the $4.5 billion New York appropriation-backed tobacco bond, the $2 billion Oregon pension obligation bond, the $2.6 billion California appropriation-backed tobacco bond and several New Jersey issues for roads, $960 million, schools, $600 million and land preservation, $500 million.
>
> With continued fiscal weakness in most states in FY 2005, spending will be constrained. Once again we expect states to look to debt issuance in part to cover revenue shortfalls, to replace pay-go cash funds and to fund projects for critical infrastructure needs such as roads and schools, as well as to stimulate economic activity…Despite the rapid growth of state net tax-supported debt in 2003, state debt burdens relative to the states' wealth, as measured by personal income, remain low and stable.
>
> *2004 State Debt Medians*, Moody's Investor Services

TABLE 11: 10 HIGHEST STATES IN NET TAX-SUPPORTED DEBT ($ in billions)

	2002 National Total = $261.3			2003 National Total = $305.2		
RANK	STATE	DEBT	% OF NATION	STATE	DEBT	% OF NATION
1	New York	$40.1	15.4%	New York	$46.4	15.2%
2	California	$28.4	10.9%	California	$37.6	12.3%
3	Massachusetts	$21.2	8.1%	**Illinois**	**$24.6**	**8.1%**
4	New Jersey	$18.1	6.9%	Massachusetts	$21.4	7.0%
5	Florida	$16.5	6.3%	New Jersey	$20.1	6.6%
6	**Illinois**	**$13.1**	**5.0%**	Florida	$17.4	5.7%
7	Connecticut	$11.9	4.6%	Connecticut	$12.4	4.1%
8	Washington	$9.1	3.5%	Washington	$9.7	3.2%
9	Ohio	$8.6	3.3%	Ohio	$9.2	3.0%
10	Pennsylvania	$8.5	3.3%	Pennsylvania	$8.8	2.9%
Range	$40 billion to $61 million (Alaska 0.2%)			$46 billion to $74 million (Nebraska .02%)		

All three ratings agencies have noted that there were more upgrades than downgrades in 2004 for both states and municipalities on public financed debt. Of the states listed in Table 11, most have not seen any ratings actions for 2004. Although New York was downgraded one level in 2003 by Fitch, Moody's recently upgraded the state one level. In 2003 Connecticut was downgraded one level by Moody's and Illinois was downgraded one level by Fitch and Moody's, but both states have remained at these levels for 2004. California, which had received multiple downgrades from all three ratings agencies in 2003 (two levels by Moody's, three levels by Fitch, and four levels by S & P), was again downgraded by Fitch to an A- while S&P upgraded them from BBB to A in 2004. This year, Washington was downgraded one level by S&P, while New Jersey was hit across the board with single level downgrades from all three ratings agencies.

CHART 5

G.O. BOND RATINGS FOR SELECTED STATES
(as of December 2004)

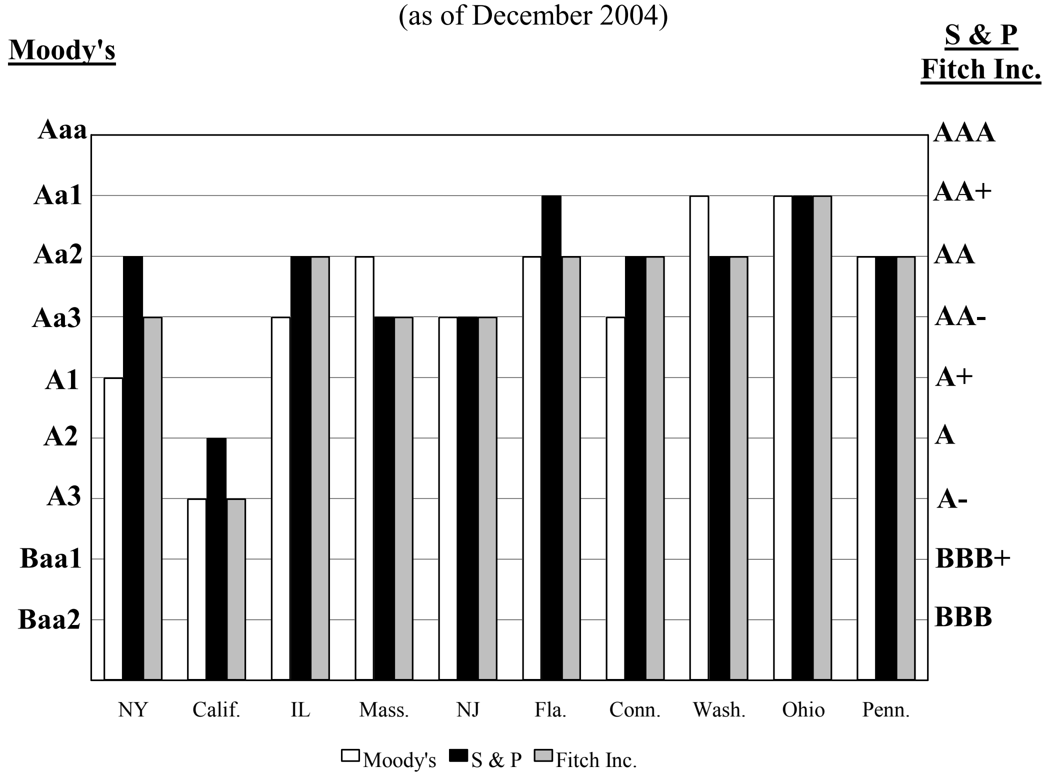
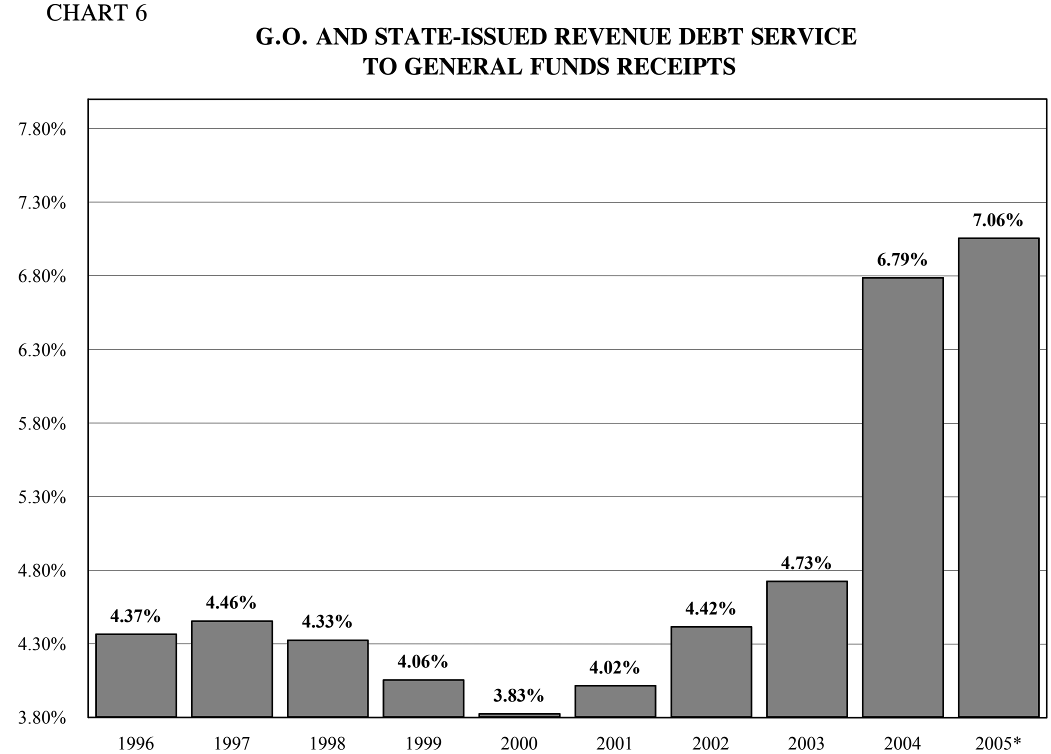


Chart 6 shows a history of general obligation and State-issued revenue debt service to general funds receipts.

CHART 6



* IEFC Estimate

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: “moral obligation” and “no obligation”. "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.

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 Development Finance Authority, Illinois Educational Facilities Authority and the Illinois Health Facilities Authority (all three of which are now a part of the Illinois Finance Authority).

CHART 7

NON-STATE SUPPORTED BONDS OUTSTANDING

Fiscal Years 1996-2004

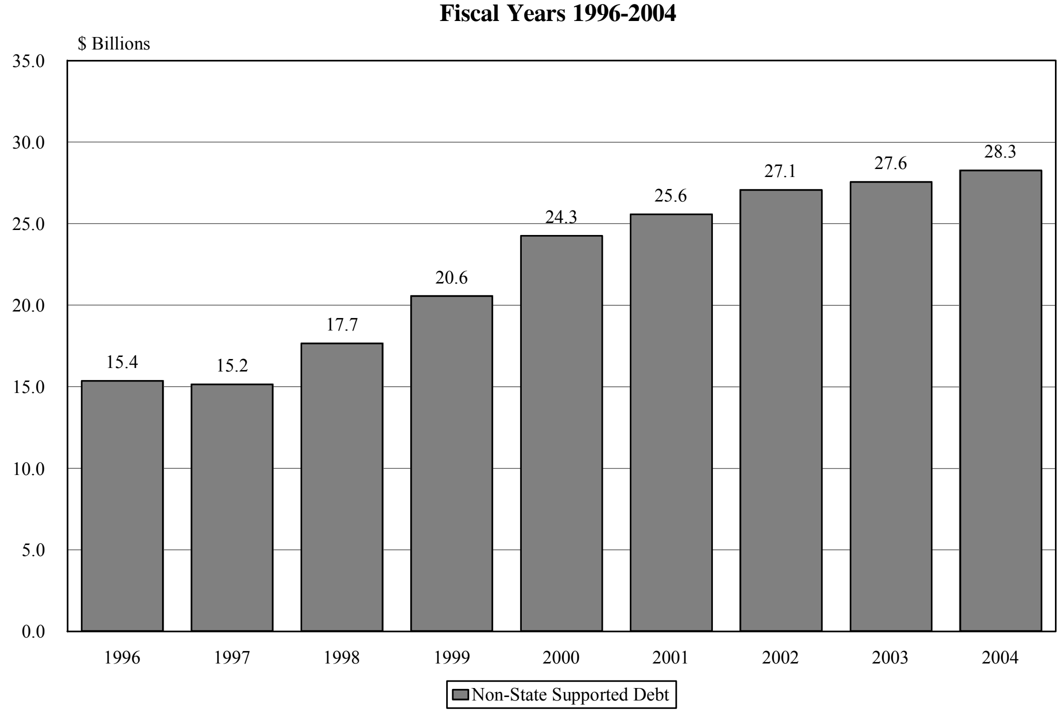


Chart 7 shows the level of outstanding debt for non-state supported bonds as reported by the issuing authorities. While principal increased in 2001 and 2002 over previous years by $1.2 billion to $1.5 billion each year, increases in 2003 and 2004 were $500 million and $700 million, respectfully, over 50% less than those amounts. Table 12 gives a more detailed breakout of non-state supported bonds by each bonding authority.

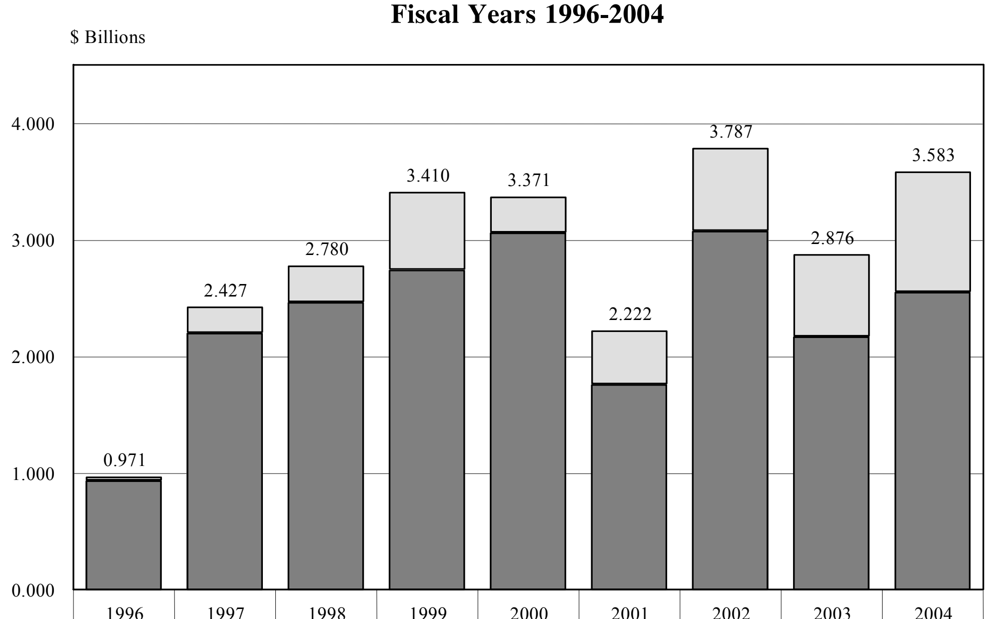
TABLE 12: NON-STATE SUPPORTED DEBT BY AUTHORITY

Authority	Type of Debt	Outstanding Principal FY 04	Bonds Issued in FY 04
IL Finance Authority	conduit	$1,202,075,000	$1,202,075,000
IL Dev Finance Authy	conduit	$7,343,387,070	$605,925,000
IL Ed Facilities Authy	conduit	$3,456,775,189	$588,000,000
IL Farm Development Authority	conduit	$87,743,000	$7,769,000
IL Health Facilities Authority	conduit	$9,100,150,939	$473,615,000
IL Rural Bond Bank (non-moral)	conduit	$17,300,000	$0
QCREDA	conduit	$15,173,158	$0
RTA (non SCIP)	conduit	$753,860,000	$0
SWIDA (non-moral)	conduit	$144,766,995	$0
Upper IL RVDA (non-moral)	conduit	$45,745,000	$5,500,000
Will-Kankakee Regnl Dev Authy	conduit	$39,686,349	$8,600,000
CONDUIT TOTAL		**$21,004,587,700**	**$1,689,409,000**
IL Housing DA (moral)	moral	$148,857,974	$0
IL Rural Bond Bank (moral)	moral	$67,630,000	$21,045,000
QCREDA	moral	$0	$0
SWIDA (moral)	moral	$49,149,635	$0
Upper IL RVDA (moral)	moral	$24,030,000	$0
MORAL TOTAL		**$265,637,609**	**$21,045,000**
Chicago State University	usercharge	$23,125,000	$0
Eastern IL University	usercharge	$47,530,000	$0
EIU COPs	usercharge	$17,985,000	$8,640,000
Governor's State University	usercharge	$2,080,000	$0
IL Housing DA (non-moral)	usercharge	$1,355,995,000	$175,145,000
IL State University	usercharge	$55,918,000	$0
ISAC-IDAPP	usercharge	$3,617,599,000	$600,000,000
IL State Toll Highway Authority	usercharge	$670,900,000	$0
Northeastern IL University	usercharge	$21,730,000	$16,970,000
Northern IL University	usercharge	$121,294,717	$0
Southern IL University	usercharge	$147,917,402	$0
SIU COPs	usercharge	$36,565,000	$32,740,000
SURS	usercharge	$3,368,000	$0
University of IL	usercharge	$820,585,620	$10,000,000
Western IL University	usercharge	$54,540,000	$0
USERCHARGE TOTAL		**$6,997,132,739**	**$843,495,000**
TOTAL OF CONDUIT & USERCHRGE		**$28,001,720,439**	**$2,532,904,000**
TOTAL CONDUIT, USERCHRGE, & MORAL		**$28,267,358,048**	**$2,553,949,000**

The Illinois Finance Authority (IFA) was created by Public Act 93-0205, and consolidated seven existing State bonding authorities: the Illinois Development Finance Authority, the Illinois Education Facilities Authority, the Illinois Farm Development Authority, the Illinois Health Facilities Authority, the Illinois Rural Bond Bank, the Illinois Community Development Finance Corporation, and the Illinois Research Park Authority. The IFA's bonding authority combined the levels of its predecessors equaling $23 billion in outstanding bonds (excluding refunding bonds which may be issued to refund the bonds of the predecessor Authorities). These bonds are not obligations of the State, but under certain requests to the Governor, some bond issues (up to $500 million) may carry the State's moral obligation pledge. The IFA expects to run out of authorization by the end of March or early April in 2005, and is planning on requesting another $6 billion in authorization.

CHART 8

NON-STATE SUPPORTED BOND ISSUES
Fiscal Years 1996-2004



	1996	1997	1998	1999	2000	2001	2002	2003	2004
Refunding Issues	0.030	0.222	0.311	0.664	0.307	0.459	0.708	0.704	1.029
New Issues	0.941	2.205	2.469	2.746	3.064	1.763	3.079	2.172	2.554

New Issues Refunding Issues

After a drop in FY 2003, bond issuance increased by approximately 25%. New debt issues increased 17.6%, while refunding issues increased 46.0%. Note that Refunding issues continue to increase. With lower interest rates and lower cash balances many bonding authorities have used refunding and the issuance of Certificates of Participation to help pay for projects. Eastern Illinois University issued COPs in 2001 and 2003, while Southern Illinois University issued COPs in 2002.

The Illinois State Toll Highway Authority plans to sell $700 million in toll-backed bonds in 2005 for its new 10-year overhaul and expansion, a $5.3 billion plan to be financed with $2.9 billion of bonds. The Toll Highway's 2005 budget includes $40 million for the first year of debt service on the 25-year bonds.

BACKGROUND

The Illinois Economic and Fiscal Commission, 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; and

5) Annual estimates of public pension funding requirements and preparation of pension impact notes; and

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.

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 three primary reports. The "Revenue Estimate and Economic Outlook" describes and projects economic conditions and their impact on State revenues. "The Illinois Bond Watcher" 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. The Commission also periodically publishes special topic reports that have or could have an impact on the economic well being of Illinois.

These reports are available from:

Illinois Economic and Fiscal Commission
703 Stratton Office Building
Springfield, Illinois 62706
(217) 782-5320
(217) 782-3513 (FAX)

Reports can also be accessed from our Webpage:

http://www.ilga.gov/commission/ecfisc/ecfisc_home.html