COMMISSION ON GOVERNMENT
FORECASTING AND ACCOUNTABILITY

FY 2006 LEGISLATIVE CAPITAL PLAN ANALYSIS

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Commission on Government Forecasting and Accountability

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INTRODUCTION

State statute requires the Office of Management and Budget to prepare and submit an assessment of the State's capital needs both current and five years forward (20 ILCS 3010/1). This is presented as part of the Governor's Budget. The Commission on Government Forecasting and Accountability, in turn, is statutorily required to submit a 5-year capital plan analysis based on this information (25 ILCS 155/3).

The Capital Plan Analysis is divided into two sections. The first part of the report uses the Governor's five-year capital expenditure plan, which lists projects to be funded from the FY 2006 appropriation request. This analysis is based on what is contained in the expenditure plan of the budget book and the Office of Management and Budget's proposed legislation. 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 part of the report looks at what is contained in the capital portion of the Governor's FY 2006 recommended budget. It details the General Obligation and Build Illinois bond authorization available, the level of proposed bond sales, future debt issuance, and annual debt service. This report also shows the Governor's recommended appropriations for State capital needs. Although the FY 2003 Pension Obligation Bonds are not a part of the Capital Budget, they will be noted throughout the report since they impact the State's debt.

EXECUTIVE SUMMARY

- The FY 2006 budget request for the capital program includes new appropriations of $3.541 billion and reappropriations of $7.091 billion, for a total of $10.632 billion. FY 2006 new appropriations represent 33.3% of the total capital appropriation request.

- The Governor is requesting $500 million in School Construction Bond Funds for the School Construction Program and $50 million for school maintenance projects statewide in FY 2006. Authorization would have to be increased for this program and a revenue source found to avoid tapping the General Revenue Fund for this additional funding.

- The Governor has included $2.333 billion in new appropriations for IDOT from various funds, including $350 million from Transportation A Bond Funds, $765 million from the State Construction Account Fund and $1.014 billion from the Road Fund. The Governor proposed a five-year $2 billion Road Program paid for by G.O. Transportation A bond sales. Such a program would need an increase in authorization.

- OMB originally estimated total G.O. bond sales for FY 2005 to be $1.0 billion. That estimate was lowered to $940 million in the Capital Plan, and the Office of Management and Budget has said it may not issue any more after the recent April Series which brought the year-to-date total to $875 million sold. The Governor's Capital Plan estimates G.O. bond sales of $1.015 billion for FY 2006.

- Total State-supported principal outstanding for FY 2005 and FY 2006 is expected to increase by $307 million and $484 million, respectively, in part due to practically no bond funding for the capital plan in FY 2005 and a low level of bond funding for FY 2006. With the changes in how bonds must be paid (25-year maturities and level principal debt service payments) the growth in principal outstanding should stay at lower levels. These levels will also be diminished once debt service payments for the Pension Obligation Bonds start paying down principal in FY 2008.

- Debt service for the G.O. portion of the capital program is expected to increase from an estimated $1.099 billion in FY 2005 to $1.169 billion in FY 2006. This is an increase of $70 million or 6.0% in debt service payments. With Pension Obligation bond debt service included, FY 2005 payments will be $1.595 billion and in FY 2006 almost $1.665 billion, an increase of $70 million, or 4.4% over FY 2005.

- The Governor's FY 2006 Capital Budget requests new G.O. bond fund appropriations totaling $1.081 billion for all general-purpose categories. New appropriations would be highest for School Construction ($550.0 million) and Transportation A ($350.0 million). Capital Facilities and Anti-Pollution categories would receive new appropriations of $161.7 million and $19.0 million, respectively. The Transportation B and Coal Development categories would have no new appropriations.

FY 2006 RECOMMENDED CAPITAL APPROPRIATIONS

This section of the report is based on the Governor's five-year capital expenditure plan. Instead of using the Capital Budget released by the Governor's Office, the Commission used the legislation introduced to implement the plan, as it contains more specific information (HB 2688 and SB 1365 as introduced are identical) and includes refunding amounts as of December 31, 2004, in case these amounts are not used by the end of FY 2005. The capital projects are paid from several sources, such as bond funds, various revenue funds, and Federal/Trust funds. Bond funds used for FY 2006 include: Build Illinois, Capital Development, School Construction, Anti-Pollution, Coal Development and Transportation A and B funds. The FY 2006 budget request for the capital program includes new appropriations of $3.541 billion and reappropriations of $7.091 billion, for a total of $10.632 billion. The following tables breakout the amount of appropriations by fund type for FY 2005 and FY 2006:

TABLE 1:
FY 2005 CAPITAL PROGRAM APPROPRIATIONS
($ Millions)

FUND TYPE	*NEW APPROPRIATIONS*	*REAPPROPRIATIONS*	*TOTAL*
Bond	34.5	3,648.2	3,682.7
Revenue	2,083.6	2,865.6	4,949.2
Federal/Trust	226.5	279.0	505.5
TOTAL	***2,344.6***	***6,792.8***	***9,137.4***

FY 2005 figures per the Governor's FY 2006 Capital Plan.
FY 2005 Capital programs were approved in P.A. 93-0842.

TABLE 2:
FY 2006 CAPITAL PROGRAM REQUESTED APPROPRIATIONS
($ Millions)

FUND TYPE	*NEW APPROPRIATIONS*	*REAPPROPRIATIONS*	*TOTAL*
Bond	1,232.6	2,924.6	4,157.2
Revenue	2,133.1	3,754.0	5,887.1
Federal/Trust	175.4	412.7	588.1
TOTAL	***3,541.1***	***7,091.3***	***10,632.4***

The current FY 2005 new appropriations of $2.345 billion represent 25.7% of the $9.137 billion total capital appropriation request. Approximately $3.541 billion, or 33.3%, of the $10.632 billion requested for FY 2006 represent new appropriations for renovation or construction projects.

There are no requested new appropriations from the General Revenue Fund in the FY 2006 Capital Plan, and none were appropriated in FY 2005. Also, in FY 2005 reappropriations from the General Revenue Fund are to equal $5.3 million.

The budget request for appropriations to the Capital Development Board (CDB) for capital projects, including new appropriations and reappropriations, totals $2.321 billion from the following funds:

TABLE 3: FY 2006 CAPITAL DEVELOPMENT BOARD REQUESTED APPROPRIATIONS
($ Millions)

FUND TYPE	*NEW APPROPRIATIONS*	*REAPPROPRIATIONS*	*TOTAL*
Capital Development	$116.1	$1,096.0	$1,212.1
School Construction	500.0	375.7	875.7
Build Illinois Bond	50.0	168.9	218.9
Asbestos Abatement	0.0	1.5	1.5
Tobacco Settlement	0.0	7.9	7.9
State Parks	0.0	5.0	5.0
TOTAL	$666.1	$1,655.0	$2,321.1

Approximately $666.1 million, or 28.7%, of the $2.321 billion requested for the CDB for FY 2006 represents new appropriations for the renovation or construction of facilities. The only new appropriations for the CDB are from the Capital Development ($116.1 million), School Construction ($500 million), and Build Illinois Bond ($50 million) funds. The remainder of the Governor's request of new appropriations would be appropriated to specific agencies. In FY 2005 actual appropriations for CDB equaled $1.993 billion, including $29 million in new **appropriations.**

CAPITAL PROJECTS BY AGENCY

The projects in this section are only those for which a new appropriation is being sought (i.e. reappropriations are not listed). Below are selected new capital projects receiving bond fund proceeds, listed by agency. Due to the changes in format of the Capital Budget presented by the Office of Management and Budget, the appropriations as they are to be spent over the five-year plan are not available. Therefore, the amounts presented (listed in $1.0 million increments) will be the total required appropriations through FY 2010, in one lump sum. Some of the appropriation requests for these projects represent the entire cost of the project; for others, however, only a portion of the total amount recommended will be spent in FY 2006. **The Commission**

was not able to do a break-out of FY 2006's five year spending plan due to fund amounts listed in the Capital Plan booklet not adding to their totals.

Agriculture

The Governor's capital budget request of $4.9 million in new appropriations for the Department of Agriculture would be paid primarily from the Capital Development Fund (CDF), $4.1 million, with another $0.8 million from the Agriculture Premium Fund for various projects at both the Springfield and DuQuoin State Fairgrounds. Approximately $2.6 million would go to the Conservation Practices Cost Share Program, and remaining funds would go towards various projects including a fire suppression system ($1.1 million) at the Illinois State Fairgrounds in Springfield.

Office of the Attorney General

The Office of the Attorney General would receive $255,000 for repairing roof joints and upgrading the snow melt system, at its office building in Springfield.

Capital Development Board (CDB)

The Governor is requesting $500.0 million in School Construction Funds and $6.3 million in Capital Development funds for the Capital Development Board. **The sale of additional bonds for school construction will likely need additional funding for debt service**. The $6.3 million from the Capital Development Fund would go for abatement of hazardous materials, ADA compliance, and to repair minor problems and emergencies.

Central Management Services (CMS)

The Governor's recommendation of $10.4 million in new appropriations for CMS comes entirely from the Capital Development Fund, with the main projects listed below:

PROGRAMS ($ millions)	FY 2006 Total thru FY 2010
• Singer Mental Health Center: refurbish restack, renovate office space	$3.5
• Evelyn Edwards Center, Chicago: refurbish restack, renovate office space	3.1
• Suburban North Regional Office: refurbish restack, renovate office space	1.6
• Kenneth Hall Regional Office: refurbish restack, renovate office space	1.1

Commerce and Economic Opportunity (DCEO)

The $89.9 million in new appropriations for DCEO comes primarily from the Build Illinois Bond Fund ($75.9 million), while the remaining appropriations come from the Illinois Capital Revolving Loan Fund ($10 million) and the Port Development Revolving Loan Fund ($4 million). These projects are a part of the Governor's Opportunity Returns plan which is designed to improve infrastructure, encourage new industries, and ultimately create new jobs. Some of these projects are listed below:

PROGRAMS ($ millions)	FY 2006 Total thru FY 2010
• Statewide: grants for economic development and infrastructure	$25.0
• Statewide: grants to companies to construct/expand ethanol plants in IL	15.0
• Statewide: Manufacturing Modernization Program	10.0
• Argonne National Lab: Ricketts Regional Biocontainment Lab	6.7
• Northwestern University: Nanoscale Science & Engineering Center	5.0
• Statewide Port Development Revolving Loan Program grants	4.0
• IL Institute of Technology: Biomedical Research Complex	4.0
• Argonne National Lab: Rare Isotope Accelerator Science Center	3.0
• Rockford: Applied Manufacturing Research & Technical Center	1.6
• Argonne National Lab: Advanced Protein Crystallization Facility	1.5

Corrections

The Department of Corrections would receive $11.2 million in new appropriations, all from CDF, for various projects around the State at correctional centers and Illinois youth centers, which include:

PROGRAMS ($ millions)	FY 2006 Total thru FY 2010
• Menard Correctional Center: rehab North Cell house plumbing, Phase II	$4.8
• Shawnee Correctional Center: replace windows in housing units	4.0

Environmental Protection Agency (EPA)

The Environmental Protection Agency would receive a total $262.0 million, of which $224.0 million would come from the Water Revolving Fund and $19.0 million from the Anti-Pollution Bond Fund for the Drinking Water Loan Program and for the Water Pollution Control Revolving Loan Program. Another $19.0 million from the Build Illinois Bond Fund would aid in the cleanup of Lake Calumet and other Brownfield sites.

Illinois Finance Authority

The Illinois Finance Authority would receive $500,000 for loans to fire departments from the Fire Truck Revolving Loan Fund.

Board of Higher Education (BHE)

The FY 2005 capital plan budget submitted by the Governor recommends $97.7 million in new capital appropriations to BHE, $50.0 million from the Build Illinois Bond Fund and $47.7 million from CDF. The composition of BHE's capital budget is slightly different from that of the other State agencies. Portions of higher education's maintenance projects are funded through a Capital renewal program for repairs and maintenance, which allocates amounts statewide to the various State universities and the Illinois Community College Board. The Enhanced Construction Program for ICCB is an initiative to upgrade or replace temporary facilities that have outlived their useful life. The projects are listed below:

PROGRAMS ($ millions)	FY 2006 Total thru FY 2010
• IL Community College Board: Enhanced Construction Program	$50.0
• U of I (all locations): capital renewal and projects	16.7
• SIU in Carbondale and Edwardsville: capital renewal and projects	10.4
• IL Community College Board: capital renewal	9.1
• Western IL University: Quad City Riverfront campus, capital renewal	3.6
• Capital Renewal at other state universities	5.4
• IL Math & Science Academy: building addition, replace fire alarm system	2.1
• University Center of Lake County: construct facility/ purchase equipment	0.4

Illinois Historic Preservation Agency

Approximately $1.7 million would go to the Historic Preservation Agency from the Capital Development Fund for projects at Lincoln's Tomb, Blackhawk Historic Area, Cahokia Mounds and Crenshaw House.

Human Services

The Governor is recommending $5.3 million in new capital appropriations for the Department of Human Services from the Capital Development Fund. The majority of the funds will be used for maintenance and renovation projects at State Mental Health Centers (MHC) and Developmental Centers (DC). The two largest projects are listed below:

PROGRAMS ($ millions)	FY 2006 Total thru FY 2010
• Shapiro DC: plan/begin replacement of HVAC	$1.5
• Kiley DC: replacing roofs	1.5

Medical District Commission

The Governor's FY 2006 budget recommends a total of $4.3 million in appropriations for the Medical District Commission from the Capital Development Fund. The funds will be used at the Medical Center District in Chicago for site development and improvements, and structural repairs at the Enterprise Center.

Military Affairs (DMA)

The Governor is requesting $2.3 million for the Department of Military Affairs, $2.1 million from the Capital Development Fund and $0.2 million from the Illinois National Guard Armory Construction Fund for rehabilitation and renovation of DMA facilities at the following sites:

PROGRAMS ($ millions)	FY 2006 Total thru FY 2010
• Galesburg Armory: plan construction of new armory	$1.8
• Aurora Armory: plan Army Aviation Support Facility	0.3
• Statewide: to buy land and construct parking lots	0.2

Natural Resources

The Department of Natural Resources would receive $114.7 million in new appropriations under the Governor's capital plan, from various bond, federal/state trust funds and revenue funds. This amount includes $42.9 million from the Capital Development Fund, $7.0 million in Build Illinois Funds, $7.4 million in federal/state trust funds, and an additional $57.4 million from specific natural resource-related funds, such as: the Park & Conservation Fund, State Parks Fund, State Boating Act Fund, Conservation 2000 Projects Fund, Natural Areas Acquisition Fund, Open Space

Land Acquisition and Development, and Land and Water Recreation Fund, to name a few. Some of the big-ticket programs are listed below:

PROGRAMS ($ millions)	FY 2006 Total thru FY 2010
• Natural Areas and Open Space Land Acquisition	$26.0
• Parks and Trails (bike, recreational, snowmobile, & off-highway vehicles)	13.8
• Flood Control ongoing projects (State & Federal)	12.6
• Illinois River Basin Conservation Reserve Enhancement Program	10.0
• Statewide Museums Improvement Program grants	10.0
• Abandoned Mines (State & Federal)	7.5
• Lake Michigan shoreline protection	6.7
• Conservation 2000 program	4.5
• Corps of Engineers – State match for environment/habitat restoration	3.0

Secretary of State

A total of $2.6 million in new appropriations from the CDF is recommended for the Secretary of State for new construction and maintenance of buildings under their jurisdiction (primarily in the Capitol Complex).

State Board of Education

The State Board of Education would be appropriated $50.0 million from the School Construction Fund for maintenance grants to schools, for projects that do not fall under the larger School Construction Grant Program.

State Police

The Governor is requesting $4.5 million for the State Police from the CDF to pay for upgrading the firing range at Effingham (District 12), and to acquire land and plan for a Metro-East Forensic Science Lab.

Supreme Court

The Courts would receive $2.2 million to repair roofs at the Appellate Court Building at Mount Vernon and the Supreme Court Building at Springfield, and to renovate the former 4th District Appellate Court space at the Supreme Court Building in Springfield.

Transportation (IDOT)

The Governor has approved $2.333 billion in new appropriations for IDOT from various funds. Appropriations include $350.0 million in Transportation Series "A" Bond Funds. The State Construction Account Fund and the Road Fund would be appropriated in the amounts of $765 million and $1.014 billion, respectively. Federal Funds would make up approximately $168.0 million of funding, while $35.6 million would come from such funds as the Grade Crossing Protection Fund, Federal High Speed Rail Trust Fund, State Rail Freight Loan Repayment Fund, and the Rail Freight Loan Repayment Fund. The Governor wants a five-year $2 billion Road Program paid for by G.O. Transportation A bond sales. Such a program would need an increase in authorization.

PROGRAMS ($ millions)	FY 2006 Total thru FY 2010
• Statewide: transportation-related construction	$2,038.7
• Federal/Local: financial assistance to airports	152.0
• Statewide: Formal Contracts (A) & (B)-Maintenance, Traffic & Physical Research	38.3
• Statewide road apportionments	35.8
• Grade Crossing protections/separations	26.3
• Federal/State grants for mass transit	16.0
• Township bridges	15.0
• Rail: freight and high speed	9.4
• Disposal of hazardous materials	1.2

Veterans' Affairs

The Governor's budget requests $16.3 million in new capital appropriations for the Department of Veterans' Affairs from the Capital Development Fund. The facilities to receive appropriations are:

PROGRAMS ($ millions)	FY 2006 Total thru FY 2010
• LaSalle VA: 80 bed expansion	$11.6
• Manteno VA: install humidifiers, nurse call stations, water mains	2.3
• Statewide: plan & begin construction of a 200 bed facility	2.0
• Quincy VA: replace fire alarm	0.4

<u>FY 2006 BUDGET BOOK REVIEW</u>:
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:

<u>Bond 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. **Using the Office of Management and Budget's FY 2006 G.O. debt service estimate of $1.665 billion divided by FY 2004's appropriated expenditures of $26.717 billion, the State is at approximately 6.23%, close to its 7% bond limit.**

<u>Cost of issuance limitations</u> - 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 the Commission on Government Forecasting and Accountability (COGFA), 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 COGFA 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.

<u>Capitalized Interest</u> –Removes the provision that allowed for capitalized interest.

<u>Payment and Maturity</u> - 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).

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

<u>Refunding bonds</u> - 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 Commission on Government Forecasting and Accountability. 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. **Since the beginning of FY 2005, the Office of Management and Budget has provided the Commission on Government Forecasting and Accountability (formerly the IEFC) the above disclosures and has posted these on the Office of Management and Budget's website.**

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.

The following table shows that the Office of Management and Budget has followed the debt responsibility measures for FY 2005 bond issues. **To date, 32.6% of G.O. bonds and 100% of Build Illinois bonds have been sold competitively, which are both in excess of the minimum requirement of 25%.**

Debt Responsibility Measures						
FY 2005 Bond Series	**Cost of Issuance Limit 0.50%**	**Capitalized Interest**	**25 yr. Maturity**	**Negotiated or Competitive Sale**	**Level principal**	**Annual maturity or mandatory redemption**
G.O. September 2004- $285 million	0.28%	no	√	Competitive	√	√
G.O. November 2004- $275 million	0.35%	no	√	Negotiated	√	√
Build IL February 2005- $75 million	0.37%	no	√	Competitive	√	√
G.O. April 2005- $315 million	0.36%	no	√	Negotiated	√	√

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. Although the bonds are tax-exempt both federally and at the State level, the grants are an incentive to buy these bonds. 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 had been made in the FY 2005 budget, meaning no grants would have been awarded at all for this year. At the end of the 93rd General Assembly, the Legislature passed supplemental appropriations in Public Act 93-1070, which appropriated $650,000 to the BIG program for FY 2005.

Illinois State Toll Highway Authority

The Illinois State Highway Authority's new 10-year plan includes the first increase 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 the beginning of 2005 was approximately $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)*

Current Toll Highway Bond Debt Service			
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.

Metropolitan Pier and Exposition Authority (MPEA)

There are two categories of bonds sold by the MPEA. The McCormick Place 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: the airport departure tax, automobile renting tax, hotel tax, and local restaurant sales tax. In the event that the funds for Expansion Bonds are not sufficient, a backup pledge of sales tax revenue from the Build Illinois Fund may be used, up to a certain amount as stated in the sales tax acts (see table).

McCormick Place Expansion Bonds Back-up Maximum (in millions)	
FY 2003	$99.0
FY 2004	$103.0
FY 2005	$108.0
FY 2006	$113.0
FY 2007	$119.0
FY 2008	$126.0
FY 2009	$132.0
FY 2010	$139.0
FY 2011	$146.0
FY 2012	$153.0
FY 2013	$161.0
FY 2014	$170.0
FY 2015	$179.0
FY 2016	$189.0
FY 2017	$199.0
FY 2018	$210.0
FY 2019	$221.0
FY 2020	$233.0
FY 2021	$246.0
FY 2022	$260.0
FY 2023-2042	$275.0

The funds available from the backup pledge of sales tax on the Expansion Project bonds have only been used in a borrowing situation and have been paid back, $18 million in FY 2004 and $28 million in FY 2005. But the MPEA foresees a need to use a portion of this pledge for debt service in FY 2006—they would borrow approximately $38 million in FY 2006 and pay back $34 million. Constraints on revenues again in FY 2005 cut down on surpluses and affect funds available to pay debt service. The Authority tapped $30 million from their rolling reserve fund to help pay the almost $127 million in debt service in FY 2005, leaving only a $3 million balance in that fund. Debt service for the next four years is as follows:

FY 2006	$133.6 million
FY 2007	$139.5 million
FY 2008	$157.6 million
FY 2009	$163.5 million

Debt service will level off in FY 2023, and at some point in the future tax collections should come back and the Authority could try to pay back amounts borrowed from the State (normally surplus revenues would be used for capital maintenance).

Total Authority assets decreased by $119 million from FY 2003 to FY 2004, with the total net deficit increasing by $124 million. Although some operating expenses were cut by reworking a Navy Pier catering contract and laying off 70 of the 737 McCormick Place and Navy Pier employees, revenues were down $86 million in FY 2004 due to a decline in attendance, loss of shows and investment losses. Calendar year 2005 was a slow year for shows, but the 2006 schedule looks to increase space booked to a level higher than 2001, but not quite up to the level of calendar year 2000.

School Construction Update

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

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	97[①]	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)*

[①]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.

[†] FY 2003 through 2006 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. 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 from School Construction Fund by Fiscal Year									
(Millions)	1998	1999	2000	2001	2002	2003	2004	2005	2006
Appropriation	$30.0	$327.0	$540.0	$500.0	$740.0	$500.0	$500.0	$0	$500*

** Based on the FY 2006 Capital Plan, $500 million is for construction, another $50 million would be for building maintenance.*

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	2005†	2006†
Telecom Tax	$35.2	$101.5	$108.5	$114.9	$110.4	$89.7	$79.1	$79.9	$78.6
Liquor Tax/GRF	----	----	$30.0	$60.0	$0.0*	$0.0*	$71.8	$60.0	$60.0
Cigarette Tax	----	----	----	----	----	$15.0	$60.0	$60.0	$60.0
TOTAL	**$35.2**	**$101.5**	**$138.5**	**$174.9**	**$110.4**	**$104.7**	**$210.9**	**$199.9**	**$198.6**

Note: Commission on Government Forecasting and Accountability estimates.
**The liquor tax transfer was suspended for FY 2002 and FY 2003 as part of the budget agreement.*
† *CGFA estimates.*

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.

Transfer from School Infrastructure Fund to G.O. Bond Retirement & Interest Fund ($ in Millions)	1998	1999	2000	2001	2002	2003	2004	2005	2006
Transfer Amount	N/A	$7.0	$21.2	$49.4	$73.2	$129.5	$155.2	$196.7	$230.0

Source: Office of Management and Budget.

CGFA estimates $198.6 million in revenues and GOMB expects $230.0 million in debt service for FY 2006. School Construction portions of the September, November and April bond sales will increase FY 2006 debt service by an estimated $22.8 million to $219.3 million. After these three issuances, approximately $439 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 $550 million in his 2006 Capital Plan, $500 million for construction and $50 million for maintenance. Selling $550 million in G.O. bonds would increase the debt service payment by $50 million in the early years of the bond sale (using a 25 year level principal payment scenario at a 5.25% interest rate). The Governor has proposed a 75 cent increase in the cigarette tax, revenues from which would be used for capital spending, mainly for the School Construction Program. The CGFA estimates the additional tax would generate $144-$187 million annually, factoring in a possible decrease in sales due to the increased tax. If bond authorization does increase, additional funding for debt service would be required.

If the Governor's School Construction increase were approved, the twenty-four 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 FY 2006 Capital Plan states 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. 32).

Short-Term Borrowing

In March 2005, $765 million in short-term borrowing proceeds were deposited into the General Fund and then subsequently transferred to the Hospital Provider Fund to be spent on Medicaid bills. Federal reimbursement from that spending as well as subsequent monies from hospital assessment fees and federal reimbursement allowed $762 million to be transferred back to the General Fund. After all of the scheduled transfers into and out of the GRF related to the short-term borrowing, it is estimated that net transfers will equal $14 million. It is reported that there will be a cumulative net benefit of approximately $143 million to the State, allocated as follows:

HISTORY OF SHORT TERM BORROWING		
Date Issued	**Amount (millions)**	**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*
March 2005	$765	June 2005
Source: Office of Management & Budget *Across fiscal year borrowing		

- $20 million is allocated to the Developmentally Disabled Providers,
- $30 million allocated to the Long Term Nursing Care providers, and
- $93 million allocated to normal DPA Medicaid obligations funded by GRF and other sources.

The short-term borrowing will be paid off in June of 2005 including $5.7 million in interest.

STATE DEBT

Authorization

General Obligation bonds are the most secure 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. G.O. and Build Illinois authorization levels can only be increased through legislation. Below are authorization levels after legislative changes made over the past years to the General Obligation Bond Act. There have been no increases in G.O. bond authorization since January 2004.

TABLE 4
General Obligation Authorization Levels

(in billions)	New Projects	Tobacco	Pension Systems	Subtotal	Refunding	Total
May 2000	$14.198	N/A	N/A	**$14.198**	$2.839	**$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, with approximately $3.244 billion unissued since April 6, 2005. The $10.0 billion of Pension Obligation Bonds were sold all in one issuance in June 2003, while Tobacco "Securitization" bond authorization has expired. Bonds are sold as needed for construction on projects that have already been approved and had appropriations legislated. Just because bonds have not been issued does not mean that some or all of the remaining bonds to be issued have not already been appropriated. When G.O. or Build Illinois bonds are issued the official statement provides the amounts of the bonds to be distributed and to which categories under the respective Act, but not specific projects. The distribution amounts can later be reallocated to a different category due to need by a reallocation order from the Governor, per the G.O. Act.

The following table lists the General Obligation and Build Illinois bond authorization levels per statute, what has not been issued, and the remaining authorization not appropriated and also not released after expected FY 2005 appropriations, as of March 31, 2005.

TABLE 5 Bond Authorization and Appropriation Levels				
(in billions)	Fixed Authorization	Un-Issued (3/2005)	Authorization not appropriated	Authorization not released
General Obligation				
Capital Facilities	$7.320	$1.628	$0.255	$0.359
School Construction	$3.150	$0.521	$0.068	$0.068
Anti-Pollution	$0.480	$0.024	$0.005	$0.019
Transportation A	$3.432	$0.376	-$0.063	$0.056
Transportation B	$1.882	$0.441	$0.032	$0.120
Coal Development	$0.663	$0.569	$0.488	$0.513
Subtotal	**$16.927**	**$3.559**	**$0.785**	**$1.135**
Tobacco bonds	$0.750	$0.750	$0.750	$0.750
Pension bonds	$10.000	$0	$0	$0
Refunding°	$2.839	$.914	N/A	N/A
Build Illinois				
Build Illinois total	$3.806	$0.812	$0.468	$0.514

†Includes cumulative expenditures for prior years up through FY 2004 and FY 2005 appropriations and reappropriations through March 31, 2004.

**Only $24 million of the School Construction Fund "not appropriated" 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 Capital Plan suggests $550 million for the School Construction Program, and a $2 billion 5-year program for roads (Transportation A) with a $350 million appropriation in FY 2006. G.O. bond debt authorization would have to be increased by the legislature for both of these programs.

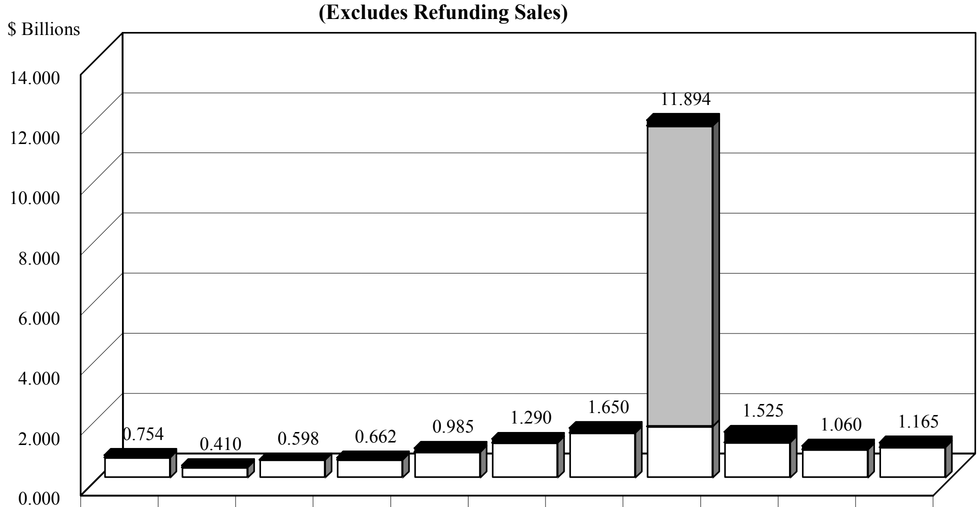
Bond Sales

The State's capital program is, in part, financed through the issuance of general obligation bonds, which are backed by the full faith and credit of the State. The Office of Management and Budget has issued three series of bonds for FY 2005—the $285 million September Series, $275 million November Series, and the $315 million April Series—for a total sold of $875 million. OMB originally estimated total G.O. bond sales for FY 2005 to be $1.0 billion. That estimate was lowered to $940 million in the Capital Plan, and the Office of Management and Budget has said it may not issue any more after the recent April Series. The Governor's Capital Plan estimates G.O. bond sales of $1.015 billion for FY 2006. The following chart shows only new money bond sales.

CHART 1

State-Supported Bond Sales

(Excludes Refunding Sales)



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*	2006*
State-Issued Revenue	0.080	0.060	0.000	0.060	0.125	0.125	0.150	0.182	0.350	0.120	0.150
Pension Bonds								10.000			
General Obligation	0.674	0.350	0.598	0.602	0.860	1.165	1.500	1.712	1.175	0.940	1.015

General Obligation Pension Bonds State-Issued Revenue

* OMB Estimates

Build Illinois bond sales expected to be $250 million in FY 2005 were lowered to $120 million in the Capital Plan, and subsequently the Office of Management and Budget has said that sales may not even reach that amount in FY 2005. In February of 2005 the Administration sold $75 million in Build Illinois bonds. There have been no refunding bonds issued as of the beginning of April 2005 for FY 2005. The Office of Management and Budget has proposed sales of $150 million of Build Illinois bonds for projects in FY 2006.

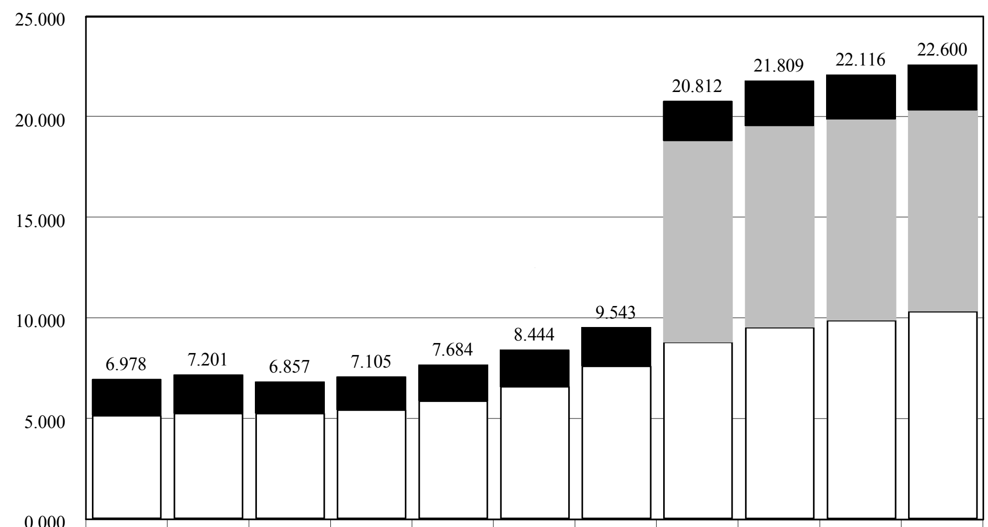
Debt Outstanding

The following sections for principal outstanding and debt service will have a separate listing concerning the $10.0 billion in Pension Obligation bonds, since they are not a part of the capital plan, but do affect the State's outstanding debt and bond rating.

Chart 2 indicates that at the end of FY 2002, principal outstanding was $9.5 billion. Total outstanding State-supported principal for FY 2003 increased to $20.8 billion, a 118.1% increase over the FY 2002 level, due to the sale of the $10.0 billion Pension Obligation Bonds. Without the Pension Obligation Bonds, debt would have increased to $10.8 billion, an increase of 13.3%. FY 2004 and FY 2005 increased to $21.8 billion (4.8%) and $22.1 billion (1.4%), respectively. Estimates for FY 2006 would increase outstanding principal to $22.6 billion up 2.2% over the previous year. G.O. and Build Illinois capital bond principal outstanding increased by $1.0 billion or more annually from fiscal years 2002 through 2004.

CHART 2

STATE-SUPPORTED PRINCIPAL OUTSTANDING
End-of-Year FY 1996-2006 ($ Billions)



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*	2006*
State-Issued Revenue	1.818	1.924	1.589	1.649	1.798	1.844	1.913	1.999	2.253	2.223	2.257
Pension Bonds								10.000	10.000	10.000	10.000
General Obligation	5.160	5.277	5.268	5.456	5.886	6.600	7.630	8.813	9.556	9.893	10.343

General Obligation / Pension Bonds / State-Issued Revenue

* Commission on Government Forecasting & Accountability Estimates
Sources: Office of Management & Budget, Office of the Comptroller

Total State-supported principal outstanding for FY 2005 and FY 2006 is expected to increase by $307 million and $484 million, respectively, in part due to practically no bond funding for the capital plan in FY 2005 and a low level of bond funds being used in FY 2006. With the changes in how bonds must be paid (25-year maturities and level principal debt service payments) the growth in principal outstanding should stay at lower levels. These levels will also be diminished once debt service payments for the Pension Obligation Bonds start paying down principal in FY 2008. Principal payments will be $50 to $100 million from FY 2008-FY 2016, then grow by $50 million to $100 million annually until it is paid off in FY 2033 with a principal payment of $1.1 billion (See Table 7 on page 23).

Debt Service

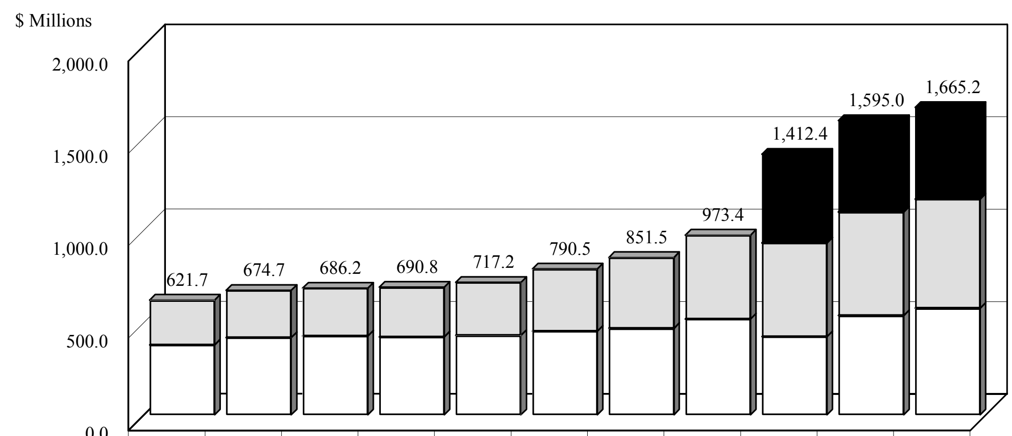
Based on expected general obligation bond sales, debt service for the G.O. portion of the capital program is expected to increase from an estimated $1.099 billion in FY 2005 to $1.169 billion in FY 2006. This is an increase of $70 million or 6.0% in debt service payments. With Pension Obligation bond debt service included, FY 2005 payments will be $1.595 billion and in FY 2006 almost $1.665 billion, an increase of $70 million, or 4.4% over FY 2005. Pension Obligation bond debt service is listed separately as it is not a part of the capital plan; a copy of the POB debt service is located at the end of this section.

As shown in Chart 3, FY 2005, debt service will consist of $538.3 million in principal, $560.5 million in interest, and $496.2 million in POB interest. The debt service payment for FY 2006 would be comprised of approximately $578.0 million in principal, $591.0 million in interest, and $496.2 million in POB interest.

CHART 3

GENERAL OBLIGATION DEBT SERVICE

Principal and Interest



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*	2006*
POB Interest									481.0	496.2	496.2
POB Principal									0.0	0.0	0.0
Interest	241.7	255.6	258.9	267.8	286.7	336.6	382.6	453.2	507.7	560.5	591.0
Principal	380.0	419.1	427.3	423.0	430.5	453.9	468.9	520.2	423.7	538.3	578.0

Principal Interest POB Principal POB Interest

* The FY 2005 breakout reflects bond sales year -to -date only. Source: OMB, Office of the Comptroller

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 2005, the Road Fund supported $237.5 million (21.6%) of G.O. debt service, the School Infrastructure Fund $196.7 million (17.9%) and the General Revenue Fund $664.5 million (60.5%). In FY 2005, Pension Obligation Bonds received $360 million from the General Revenue Fund and $69.2 million from SERS from other funds that pay into the SERS pension system. An additional $67.0 million was paid from SERS in FY 2005 for FY 2004 (See comments below the following table).

In FY 2006 it is estimated that $264.0 (22.6%) million of G.O. debt service would come from the Road Fund, $230.0 (19.7%) million from the School Infrastructure Fund, and $675.0 million from the General Revenue Fund for capital projects. In FY 2006 it is expected that the General Revenue Fund will pay $427.0 million and SERS will pay $69.2 million for Pension Obligation Bonds.

TABLE 6: GENERAL OBLIGATION DEBT SERVICE BY FUND

($ Millions)	FY 2003 Amount	FY 2004 Amount	FY 2005 Amount	FY 2005* % 0f Total	FY 2006 Amount	FY 2006* % 0f Total
Road Fund	$215.0	$192.7	$237.5	21.6%	$264.0	22.6%
School Infrastructure Fund	129.5	155.2	196.7	17.9%	230.0	19.7%
General Revenue Fund	628.9	583.4	664.5	60.5%	675.0	57.7%
SUBTOTAL	**$973.4**	**$931.3**	**$1098.7**	**100.0%**	**$1,169.0**	**100.0%**
General Revenue Fund for POBs	0.0		360.0	N/A	427.0	N/A
Capitalized Interest from POB proceeds		481.0				
Other Funds for POBs* (*per SERS' certification)			136.2		69.2	
TOTAL	**$973.4**	**$1,412.3**	**$1,594.9**	N/A	**$1,665.2**	N/A

**Estimates for FY 2006 are from the Office of Management and Budget.*

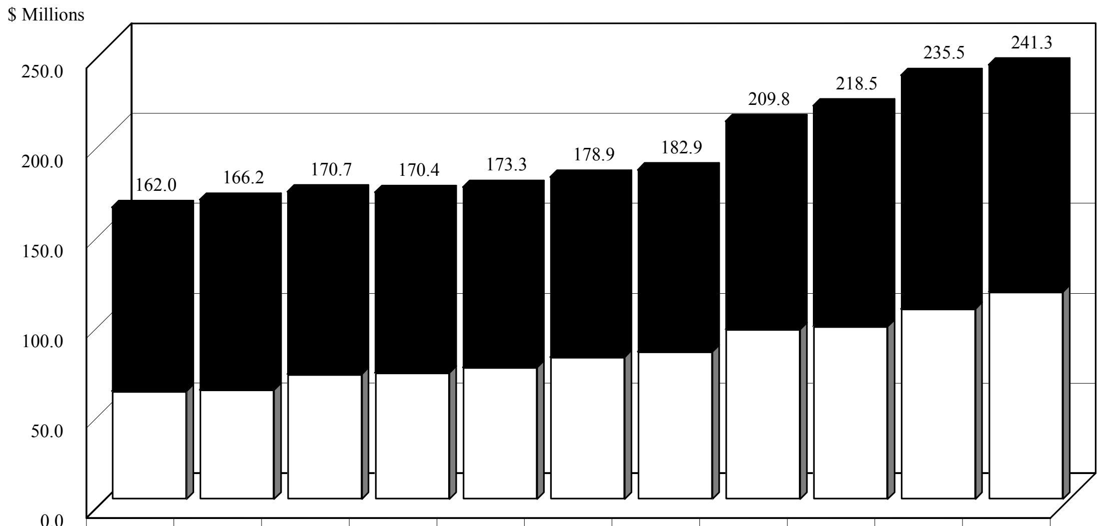
Interest on the Pension Obligation Bonds was $481 million in FY 2004 and $496.2 million in FY 2005 and FY 2006. Public Act 93-0839 required SERS to collect and pay a total of $136.2 million in FY 2005 for POB debt service. This change occurred so that GRF would not have to pay all of the interest on 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 Pension Obligation Bonds, even though this interest was capitalized (paid from the bond proceeds). The FY 2006 payment from SERS will be $69.2 million, which they will have collected from other funds to put towards Pension Obligation Bonds debt service. The POB debt service schedule is on the following page.

Table 7: Pension Obligation Bonds Debt Service			
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**
Source: $10.0 billion G.O. Bonds Pension Funding Series of June 2003 Official Statement (Governor's Office of Management and Budget)			

Chart 4 shows debt service for Build Illinois and Civic Center bonds. FY 2005 debt service will be approximately $235.5 million, an increase of 7.8% from the FY 2004 level. FY 2006 is estimated to be $241.3 million, an increase of 2.5% over the FY 2005 level.

CHART 4

STATE-ISSUED REVENUE DEBT SERVICE
Principal and Interest



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*	2006*
Interest	102.0	105.5	101.3	100.3	100.1	100.0	101.0	115.5	122.6	129.8	126.1
Principal	60.0	60.7	69.4	70.1	73.2	79.0	81.9	94.3	95.9	105.7	115.2

Principal Interest

* The FY 2005 breakout reflects bond sales year -to -date only. Source: OMB, Office of the Comptroller

Fiscal Year 2005 debt service for Build Illinois bonds is expected to be $221.6 million, comprised of $99.2 million in principal payments and $122.4 million in interest. FY 2006 Build Illinois debt service payments are estimated to be $227.4 million, of which $108.4 million will be for principal payments and $119.0 million for interest payments.

Debt service for Civic Center bonds in FY 2005 will total $13.8 million with the principal portion equaling $6.5 million and interest payments equaling $7.4 million. Civic Center bonds debt service payments for FY 2006 will be approximately $13.8 million, comprised of $6.8 million in principal and $7.1 million in interest.

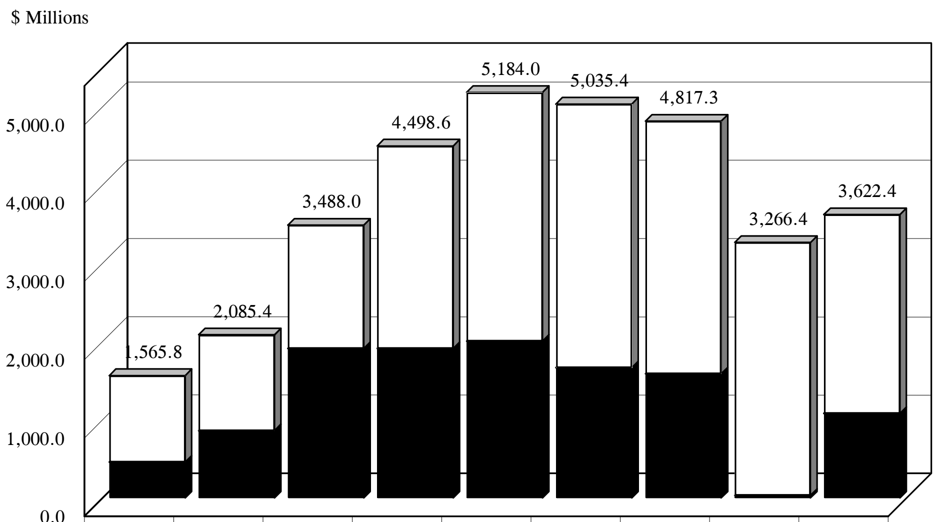
Appropriations

The estimated FY 2006 capital appropriations from general obligation bond funds would total approximately $3.622 billion. This total includes $1.081 billion in new general obligation appropriations which is lower than any year since FY 2000 (excluding FY 2005), and $2.542 billion in reappropriations basically a 21.4% decrease in reappropriations from the FY 2005 levels. The total appropriations requested from general obligation bond funds for FY 2006 represent an increase of $356.0 million, or 10.7%, over FY 2005. The annual appropriations from FY 1998 to the recommended FY 2006 amounts are illustrated in Chart 5.

CHART 5

General Obligation Appropriations

Fiscal Years 1996-2006



	1998	1999	2000	2001	2002	2003	2004	2005*	2006*
Reappropriations	1,106.7	1,223.7	1,577.0	2,586.2	3,178.9	3,370.0	3,229.8	3,232.4	2,541.7
New Appropriations	459.1	861.7	1,911.0	1,912.4	2,005.1	1,665.4	1,587.5	34.0	1,080.7

■New Appropriations □Reappropriations

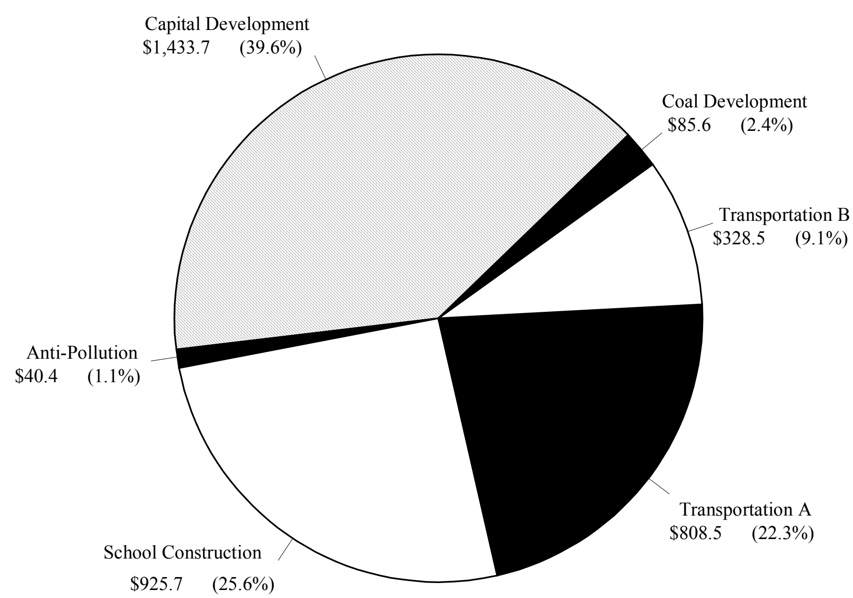
*FY 2004 based on the Capital budget book, FY 2005 based on HB 7288 and SB 3374

Charts 6 and 7 provide additional information on the requested general obligation appropriations for FY 2006 broken down by bond fund. Chart 6 shows the approximate percentages each bond fund represents of the total appropriation request (including both new and reappropriations). As shown in this chart, the $1.434 billion for Capital Development comprises 39.6% of the total. School Construction and Transportation A funds are the next two largest segments of general obligation appropriations, funded at $925.7 million (25.6%) and $808.5 million (22.3%), respectively. The $328.5 million for Transportation B funds is entirely from reappropriations and would account for 9.1% of the total annual appropriations. Coal Development and Anti-pollution appropriations would represent $85.6 million (2.4% entirely from reappropriations) and $40.4 million (1.1%) of the total, respectively.

CHART 6

FY 2006 G.O. Appropriations

By Bond Fund ($ Millions)
Total: $3.622 Billion = 100%



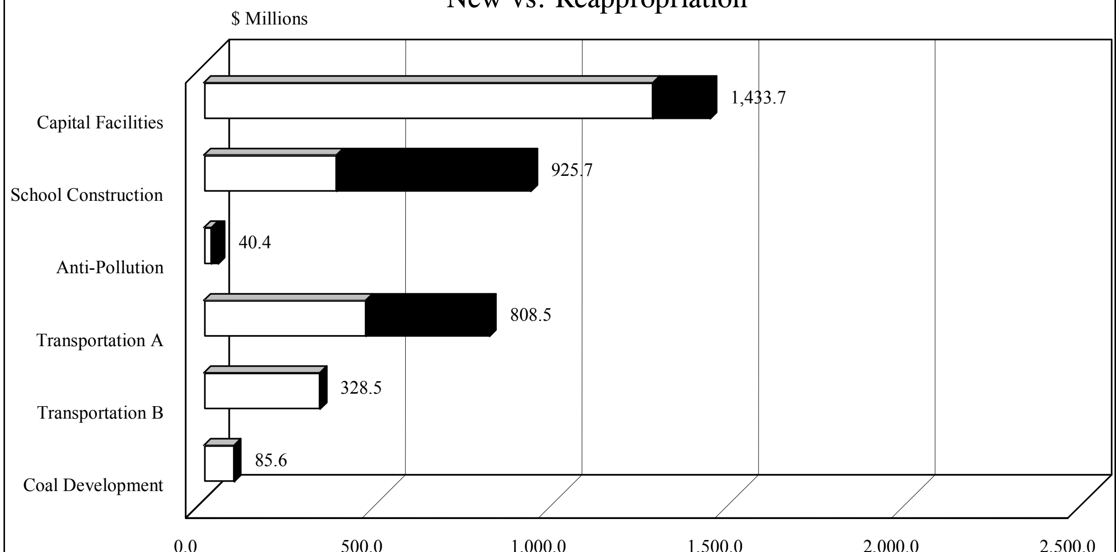
Note: Based on HB 2688 and SB 1365
Includes new and reappropriations

Chart 7 shows the requested appropriations broken down by categories into new and reappropriations. The Governor's FY 2006 Capital Budget requests new G.O. bond fund appropriations totaling $1.081 billion for all general-purpose categories. New appropriations would be highest for School Construction ($550.0 million) and Transportation A ($350.0 million). Capital Facilities and Anti-Pollution categories would receive new appropriations of $161.7 million and $19.0 million, respectively. The Transportation B and Coal Development categories would have no new appropriations.

CHART 7

FY 2006 G.O. Appropriations

New vs. Reappropriation



	Capital Facilities	School Construction	Anti-Pollution	Transportation A	Transportation B	Coal Development
Re-appropriations	1,272.0	375.7	21.4	458.5	328.5	85.6
New Appropriations	161.7	550.0	19.0	350.0	0.0	0.0

Re-appropriations New Appropriations

Note: based on HB 2688 and SB 1365

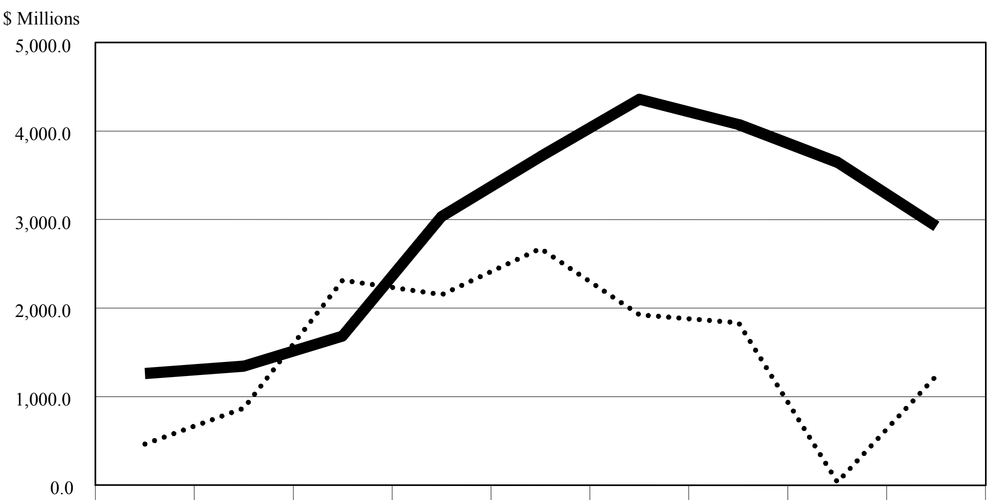
Build Illinois Bond Fund new appropriations in FY 2005 were less than half a million dollars. In FY 2006, new appropriations request from the Build Illinois Bond Fund is $151.9 million.

The total appropriations request for FY 2006 from all bond funds combined is $4.157 billion, which is a 12.9% increase from the FY 2005 level of $3.683 billion. Chart 8 shows the amount of new appropriations versus reappropriations of all bond funds combined for fiscal years 1998 through 2006. Reappropriations are unused funds appropriated in a previous fiscal year that are being tapped for use in the current fiscal year. As the chart shows, fiscal years 2000 through 2002 showed new appropriations above the $2.0 billion mark. In FY 2003 new appropriations dipped below that level and they have declined each year through FY 2005, when there were basically no new appropriations at all. The Governor is requesting $1.233 billion in new appropriations from all bond funds in FY 2006, which is still the lowest amount of appropriations made since FY 2000.

CHART 8

New Appropriations v. Reappropriations of Combined Bond Funds

Fiscal Years 1998-2006*



	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005*	FY 2006*
Reappropriations	1,261.4	1,345.1	1,685.4	3,038.5	3,714.7	4,361.4	4,074.9	3,648.2	2,924.6
New Appropriations	461.5	866.8	2,312.5	2,151.8	2,673.0	1,923.8	1,831.6	34.5	1,232.6

Note: based on HB 2688 and SB 1365
Includes Build Illinois and Civic Center Bond Funds

The Governor's proposed FY 2006 budget includes an appropriation to the Office of Management and Budget in the amount of $1.385 million from the Capital Development Fund for costs of issuance of G.O. bonds, $425,000 from the Build Illinois Bond Fund for cost of associated with the Build Illinois bond program and $113,400 from the School Infrastructure Fund for administrative expenses of the School Construction Program. FY 2005 costs of issuance were paid from the bond premiums received at the time of each bond sale. The total costs of issuance for all three G.O. Bond issuances and one Build Illinois issuance in FY 2005 (as of April 2005) equaled approximately $3.2 million.

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