Commission on Government Forecasting and Accountability

COMMISSION CO-CHAIRS

Representative Richard Myers
Senator Jeffrey M. Schoenberg

SENATE	HOUSE
Larry Bomke	Patricia Bellock
Bill Brady	Frank Mautino
Don Harmon	Robert Molaro
David Syverson	Elaine Nekritz
Donne Trotter	Raymond Poe

EXECUTIVE DIRECTOR
Dan R. Long

DEPUTY DIRECTOR
Trevor J. Clatfelter

REVENUE MANAGER
Jim Muschinske

CHIEF ECONOMIST
Edward H. Boss, Jr.

AUTHOR OF REPORT
Lynnae Kapp

OFFICE ASSISTANT
Briana Jackson

TABLE OF CONTENTS

2008 Bonded Indebtedness Report
INTRODUCTION

Illinois State statute, 25 ILCS 155/3(8), requires the Commission on Government Forecasting and Accountability to prepare a consolidated review of the debt of State bonding authorities, and a review of the State's debt and ability to further market bonds.

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 State universities and authorities created by the State, but for which the State is said to have only a moral obligation or no obligation to repay. 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, the Office of the Comptroller, bonding authorities and State universities. 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.

2008 Bonded Indebtedness Report
EXECUTIVE SUMMARY

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

G.O. Bond Ratings: Fitch Ratings downgraded Illinois' G.O. bonds from an AA to an AA- with a stable outlook, stating that "the rating downgrade reflects deterioration of the state's fiscal position and a continuing inability to achieve solutions…[G]iven the controversy and uncertainty surrounding the Governor's situation, as well as the inability last fiscal year, and so far this year, to achieve a consensus on corrective measures, it is unclear at this time how budgetary solutions will move forward and be implemented". Standard and Poor's put Illinois' G.O. bonds on its credit ratings watch list for a possible negative downgrade.

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

Authorization Increase: During the November 2008 Veto Session, both Houses of the General Assembly passed a $35 million increase in authorization in the Coal and Energy Development category of the General Obligation Bond Act. The increase is to allow the Illinois Power Agency to pay for cost reports for new facilities with bond funds [See Authorization section]. The bill is still awaiting the Governor's approval.

Lottery Lease: The United States Justice Department was asked to rule on the privatization of state lotteries by Indiana and New Jersey. In October 2008, the Justice Department ruled that the long-term lease of state lotteries would violate federal law. A state would be required to retain actual control over all significant business decisions and retain a majority of the profits and losses. While a private business can provide goods, services, and even management of a state lottery, it would only be allowed a minimal interest in the profits and losses, and only states are allowed to promote and advertise for lotteries through interstate commerce. In this case, management of a state lottery would not be profitable to an outside business.

ILLINOIS BONDS AT A GLANCE (in millions)	FY 2007	FY 2008	$ Change	% Change	Current FY 2009	$ Change	% Change
Bond Sales*							
General Obligation	258.0	125.0	-133.0	-51.6%	100.0	-25.0	-20.0%
Revenue	0.0	50.0	50.0	100.0%	0.0	-50.0	-100.0%
Locally-issued	250.4	0.0	-250.4	-100.0%	0.0	0.0	0.0%
Total	**$508.4**	**$175.0**	**-$333.4**	**-65.6%**	**$100.0**	**-$75.0**	**-42.9%**
Outstanding Principal							
General Obligation	19,925.7	19,412.9	-512.8	-2.6%	18,901.8	-511.1	-2.6%
Revenue	2,304.5	2,208.9	-95.6	-4.1%	2,063.7	-145.2	-6.6%
Locally-issued	4,440.4	4,341.4	-99.0	-2.2%	4,223.2	-118.2	-2.7%
Total	**$26,670.6**	**$25,963.2**	**-$707.4**	**-2.7%**	**$25,188.7**	**-$774.5**	**-3.0%**
Debt Service							
General Obligation	1,675.8	1,732.6	56.8	3.4%	1,705.2	-27.4	-1.6%
Revenue	278.1	279.8	1.7	0.6%	279.1	-0.7	-0.3%
Locally-issued	280.9	309.4	28.5	10.1%	319.0	9.6	3.1%
Total	**$2,234.8**	**$2,321.8**	**$87.0**	**3.9%**	**$2,303.3**	**-$18.5**	**-0.8%**
General Revenues**	**$30,272.0**	**$33,838.0**	**$3,566.0**	**11.8%**	**$29,385.0**	**-$4,453.0**	**-13.2%**
G.O. & Revenue Debt Service as % General Revenues	**6.45%**	**5.95%**			**6.75%**		
GO Bond Rating							
Moody's	Aa3	Aa3			Aa3		
Standard & Poor's	AA	AA			AA		
Fitch	AA	AA			AA-		

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

† Locally-issued bond sales for years shown are RTA SCIP sales in FY 2007.

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

**The General Revenues listed for FY 2009 are the Commission's November 2008 estimate.

The Governor's Office of Management and Budget has not issued any official estimates for FY 2009 bond sales due to the lack of a capital plan. As a result, the State has issued no project bonds to date in FY 2009. All FY 2009 numbers stated in this report are based on the State's current debt status. The Metropolitan Pier and Exposition Authority and the Regional Transportation Authority would both like an increase in bonding authority for bonds supported by the State, but at this point in time are unable to sell any bonds as they both have little bonding authority left.

The current General Obligation bond authorization for new projects is $16.927 billion, with approximately $1.936 billion remaining unissued as of November 30, 2008. Total Build Illinois bond authorization equals $3.806 billion with $422 million remaining unissued as of November 30, 2008. Authorization for new project bonds has not been increased since January 2004.

CURRENT BOND TOPICS

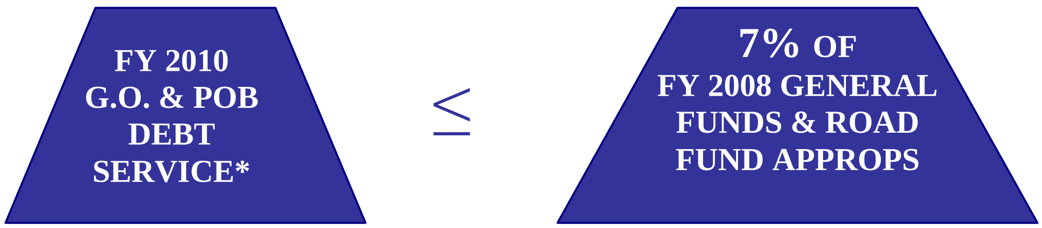
- Debt Responsibility and Transparency
- Short-Term Borrowing
- Funding for Northeastern Illinois Mass Transit
- MPEA Debt Restructuring
- Toll Highway Authority Congestion-Relief Program Update
- School Construction Update

Debt Responsibility and Transparency

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

General Obligation Bond sale limit

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



*FY 2010 debt service is based on FY 2009 bond sales.

FY 2009 bond issuance available is based on expected FY 2010 debt service as a percentage of FY 2008 General Funds and Road Fund appropriations. According to the Comptroller, these FY 2008 appropriations (excluding transfers out) equaled $32.3 billion. This puts the 7% cap at a maximum $2.266 billion in debt service for FY 2010. With G.O. debt service (including the 2003 Pension Obligation Bonds) currently at approximately $1.7 billion, there is room for approximately $533 million in additional debt service in FY 2010.

Interest Rates have fluctuated between 5% and 6.1% over the past three months for 20-year General Obligation Bonds, due to the economy. If interest rates stay at or below 6.5%, the State could sell approximately $5.15 billion in G.O. bonds (with 25-year level principal debt service) and stay under the 7% debt cap.

A future negative factor to this equation will be the increasing debt service to pay off Pension Obligation Bonds. Debt service to date has been between $500-$550 million, but as the State begins to pay on the principal of the bonds, debt service will increase and reach over $1 billion annually for the last five years of payment. *[See the Pension Obligation Bonds Debt Service schedule on page 36]*

Cost of issuance limitations.

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

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

Competitive/Negotiated Sales

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

The actual percentage of bonds sold competitively:

- ✓ *FY 2005, were 32.6% of G.O. and 37.5% of Build Illinois bonds;*
- ✓ *FY 2006 were 32.4% of G.O. and 30.2% of Build Illinois bonds;*
- ✓ *FY 2007, 25.6% of G.O. bonds;*
- ✓ *In FY 2008, there was only one issuance of Build Illinois bonds and one issuance of G.O. bonds. They were both sold competitively, which means that 100% of all bond sales in FY 2008 were sold competitively.*

Payment and Maturity

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

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

NO Capitalized Interest.

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

NO Certificates of Participation

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

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

Refunding bonds

- All bonds in an issue that include refunding bonds must mature no later than the final maturity date of the bonds being refunded.

The Office of Management and Budget would like to remove this restriction.

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

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

Transparency.

The Office of Management and Budget:

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

The Commission is looking into lapses in the receipt of all contracts related to costs of issuance.

"Truth in borrowing" disclosures

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

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

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

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

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

Short-Term Borrowing

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

G.O. Bond Ratings In December 2008, Fitch Ratings downgraded Illinois' G.O. bonds from an AA to an AA- with a stable outlook, stating that "the rating downgrade reflects deterioration of the state's fiscal position and a continuing inability to achieve solutions…[G]iven the controversy and uncertainty surrounding the Governor's situation, as well as the inability last fiscal year, and so far this year, to achieve a consensus on corrective measures, it is unclear at this time how budgetary solutions will move forward and be implemented". [www.fitchratings.com, "Fitch Downgrades Illinois' GO Bonds to 'AA-'; Outlook Stable", December 15, 2008]

Also in December, Standard and Poor's put Illinois' G.O. bonds on its credit ratings watch list for a possible negative downgrade. "The CreditWatch placement reflects our opinion of the state's growing budgetary shortfall, now projected at $2.0 billion for the current fiscal year, and our concern that the legal charges now facing the governor and his chief of staff may challenge the state to respond to this fiscal situation on a timely basis." [www.ratingsdirect.com, S&PCORRECTED: "Illinois' GO Rating Placed On CreditWatch Negative", December 11, 2008].

Moody's reaffirmed the State's Aa3 rating with a stable outlook, while giving the State's G.O. Certificates a MIG 2 rating, lower than the MIG 1 ratings given to the G.O. Certificates of April 2008 and September 2007.

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

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

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

The State also competitively sold $900 million of General Obligation Certificates in February of 2007 for the Hospital Provider Assessment Tax Program. Previous Short-term borrowing occurred in March and November of 2005, for $765 million and $1 billion, respectively, to be spent on Medicaid bills. These types of borrowing are for cash flow purposes. In these cases, the State can borrow up to 5% of the State's appropriations for the fiscal year, but it must be repaid by the end of that fiscal year. The State can also use short-term borrowing for a deficit due to emergencies or failures of revenues. This "across fiscal year" borrowing allows for borrowing up to 15% of the State's appropriations for the fiscal year and must be repaid within one year.

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

Funding for Northeastern Illinois Mass Transit

The first State temporary funding provided to the Regional Transportation Authority and the service boards it governs—the Chicago Transit Authority, Metra rail, and Pace suburban bus service—was in September 2007. The State annually appropriates subsidies to the service boards for discount fares and paratransit operations, which is paid as a reimbursement for expenditures. To help with the transit funding crisis, the State paid upfront the total fiscal year appropriation to the RTA of $91 million for FY 2008.

The November RTA bail out was a grant of $27 million from the Transportation Bond Series B Fund. There was an existing reappropriation under the Illinois Department of Transportation in the FY 2008 budget [Article 505 Section 195] that left approximately $27 million unused. The Transportation Bond Series B Fund, which is used for mass transit and aviation appropriations, did not have the full $27 million available, therefore, bond funds were reallocated to the Transportation Bond Series B Fund from the June 2007 bond sale. The table below shows the fund amounts reallocated to the Transportation Bond Series B Fund. A combined $22.4 million came from the Capital Development Fund, the Transportation Bond Series A Fund, and the Coal Development Fund. The remaining $4.6 million came from the Transportation Bond Series B Fund.

The additional state capital funds freed up allocated federal capital money that can be used at the CTA and Pace for operational needs related to preventative maintenance and paratransit operations. This has been allowed in the past and the State received Federal approval to do this again.

Reallocation of G.O. Bond Series June 2007 proceeds to Transportation Bond Series B Fund (554)

Fund #	Fund Name	Bond Proceeds	Premium	Total
0141	Capital Development Fund	$4,680,000.00	$143,787.28	**$4,823,787.28**
0553	Transportation Bond Series A	$7,200,000.00	$221,211.20	**$7,421,211.20**
0653	Coal Development Fund	$9,900,000.00	$304,165.40	**$10,204,165.40**
TOTAL		$21,780,000.00	$669,163.88	**$22,449,163.88**

Note: Reallocation is allowed by statute 30 ILCS 330/12(h).

The final solution to the funding crisis for the RTA and its service boards came January 18, 2008 in Public Act 95-0708. This law allowed the sales tax imposed by the RTA to be increased from 1.0% to 1.25% on food and 0.75% to 1.0% for medication in Cook County, and from 0.25% to 0.75% on food in the collar counties. The increased rates were estimated to raise $400 million with an additional $70 million State match. The Act allowed the City of Chicago to impose a real estate transfer tax for additional funding to the CTA, $1.50 for every $500 of value, estimated to generate $100 million annually.

Under the Act, The CTA was allowed to sell bonds for Pension funding and Retiree health care. The CTA sold $1.3 billion in Pension Funding revenue bonds and $640 million in Retiree Health Care Funding revenue bonds in July 2008. The CTA also issued the remaining Illinois FIRST capital project authorization of $250 million in April 2008, which is secured by federal capital grants.

Metropolitan Pier & Exposition Authority (MPEA) Debt Restructuring

McCormick Place Expansion Bonds Back-up Maximum (in millions)		
	Current	Proposed
FY 2008	$126.0	$126.0
FY 2009	$132.0	$132.0
FY 2010	$139.0	$139.0
FY 2011	$146.0	$146.0
FY 2012	$153.0	$153.0
FY 2013	$161.0	$161.0
FY 2014	$170.0	$170.0
FY 2015	$179.0	$179.0
FY 2016	$189.0	$189.0
FY 2017	$199.0	$199.0
FY 2018	$210.0	$210.0
FY 2019	$221.0	$221.0
FY 2020	$233.0	$233.0
FY 2021	$246.0	$246.0
FY 2022	$260.0	$260.0
FY 2023	$275.0	$275.0
FY 2024	$275.0	$275.0
FY 2025	$275.0	$275.0
FY 2026	$275.0	**$287.0**
FY 2027	$275.0	**$303.0**
FY 2028	$275.0	**$320.0**
FY 2029	$275.0	**$337.0**
FY 2030-2042	$275.0	**$350.0**
FY 2042-2048	--------	**$350.0**

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

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

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

The Authority Tax Fund (reserve fund) balance was $29.6 million at the end of June 30, 2001. The fund dipped to approximately $2.3 million by June 30, 2006, increased to $8.5 million by the end of FY 2007, and was at $1.7 million at the end of FY 2008. Revenue collections were strong enough in FY 2008 to pay back the backup pledge, but from FY 2009 on, the MPEA does not expect revenues will be able to match the increases in debt service. The estimated revenues for FY 2009 are $121.2 million, while Expansion debt service will be $132 million. After adding in the reserve fund balance of $1.7 million, this would make a draw on the State's Backup Fund of approximately $8-$9 million. The MPEA stipulates that these estimates were made in early fall, so the revenue number is probably too high. They haven't seen the impact of the economic downturn yet due to the lag of the collection process, but will begin to see the hit soon, and that the amount needed from the State's backup pledge will be larger than initially anticipated.

Legislation has been introduced to allow the Authority to restructure and refund their debt and extend the refunding maturities to 2048, past the maturities of the bonds they would be refunding. Refunding at this time would bring in a lower interest rate, while extending and restructuring debt service payments would give them breathing room, even if local taxes under-perform in the future. The MPEA would also like to raise authorization by $350 million to expand their Hyatt Regency -McCormick Place Hotel from 800 rooms to 1400, and include a ballroom, meeting space, parking facility and other improvements for McCormick Place to remain competitive. Part of the plan to pay back the new authorization and refunded bonds would be to push out the State's back-up pledge of sales taxes to 2048 (changes shown in the table on the previous page). This would also prolong the Chicago-related taxes being imposed by the Authority for another 6 years within the MPEA area. Without these changes, MPEA sales tax receipts in FY 2009 will not be sufficient to pay back any borrowing it would do that year and future years from the State's backup pledge.

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

The table above shows current total debt service for Dedicated and Expansion bonds combined. Expansion bond debt service increases each year through FY 2023 and then levels off through FY 2042. Dedicated bond debt service will be retired in FY 2015. Under the new plan debt service would be spread out for 6 more years and cost an additional $3.2 billion, with early debt service payments being lower to be able to surplus tax revenues for larger payments later. Once the new hotel rooms are up and running, the Authority would use these new revenues to help pay for debt service.

Toll Highway Authority Congestion-Relief Program Update

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

More than 65% of the Authority's roads and structures are more than 45 years old. Under the Program, approximately 41% of the existing roadway will be reconstructed including rubblization, and 54% will be rehabilitated by lane-mile. Another priority is to convert the entire mainline system to open road tolling using I-PASS only lanes. The 12.5 mile south extension of the North-South Tollway known as I-355 and named Veterans Memorial Highway was constructed. This construction opened in November of 2007, and serves Will County providing a regional connection that improves north-south mobility between I-55 and I-80.

Of the $1 billion budget funding increase, half will come from additional bonding bringing the total bonding for the Program to $3.5 billion, while the other half will be paid for by Authority funds in the amount of $2.8 billion ("pay-as-you-go" from revenues). The Tollway has sold approximately $2.8 billion of bonds to date, refunded $766 million of debt, and restructured and remarketed another $700 million of variable-rate demand bonds. The variable-rate demand bonds were insured by XL Capital Assurance Inc., which has received several downgrades from all three rating agencies since January 2008, which in turn increased interest rates from the weekly remarketing cycles up to 7%. The restructuring allowed the Tollway to remove this insurance policy before Fitch further downgraded it to junk status. The three rating agencies have affirmed the Tollway's long-term ratings of AA-/Aa3.

In CY 2007, revenues were approximately $638 million (estimated, not audited numbers) and operating expenses were $222 million. Revenues in CY 2008 are expected to be $670 million with operating expenses at $245 million. In CY 2008, net revenues of $425 million minus $188 million in debt service will allow debt service coverage of 2.3 times [based on assessments from the Illinois State Toll Highway Authority's Toll Highway Senior Priority Revenue Bonds, 2008 Series B Official Statement].

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

2008B Revenue bonds = $350 million Toll Highway Bond Debt Service (in millions)			
Year Ending January 1	**Debt Service on Outstanding Bonds**	**Debt Service on $766 million**	**Total Debt Service**
2009	$188.8	$0.0	$188.8
2010	$178.9	$9.6	$188.5
2011	$181.0	$19.2	$200.2
2012	$181.0	$19.3	$200.3
2013	$181.0	$19.2	$200.2
2014	$214.5	$19.3	$233.8
2015	$214.5	$19.2	$233.7
2016	$214.4	$19.3	$233.7
2017	$214.5	$19.2	$233.7
2018	$213.0	$19.3	$232.3
2019	$212.3	$19.2	$231.5
2020	$216.8	$19.3	$236.1
2021	$219.8	$19.2	$239.0
2022	$219.3	$19.3	$238.6
2023	$223.1	$19.2	$242.3
2024	$223.8	$19.3	$243.1
2025	$231.7	$19.2	$250.9
2026	$227.0	$19.3	$246.3
2027	$239.3	$19.2	$258.5
2028	$239.8	$19.3	$259.1
2029	$241.2	$19.2	$260.4
2030	$242.1	$19.3	$261.4
2031	$242.4	$19.2	$261.6
2032		$189.6	$189.6
2033		$189.6	$189.6
TOTAL*	**$4,960.2**	**$793.0**	**$5,753.2**

The Commission on Government Forecasting and Accountability hired Credit Suisse to evaluate and determine the potential monetary value of the Illinois State Toll Highway. The report, "Illinois Tollway System Valuation" is available at the Commission's website, http://www.ilga.gov/commission/cgfa2006/home.aspx.

School Construction Update

History: 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 entitled projects (listed below) remain on the list and have not received funding.

OFFICIAL PRIORITY RANKING FOR REMAINING FY 2002 SCHOOL CONSTRUCTION GRANT ENTITLEMENTS MAY 17, 2004
PRIORITY 2: SHORTAGE OF CLASSROOMS DUE TO POPULATION GROWTH OR TO REPLACE AGING SCHOOL BUILDINGS

	School District	County	House District	Senate District	Priority Ranking
1	ROCHESTER CUSD 3A	SANGAMON	100	50	6.14
2	FAIRFIELD PUBLIC SD 112	WAYNE	108	54	5.973
3	STEWARDSON - STRASBURG CUSD 5A	SHELBY	109	55	5.66
4	JOHNSTON CITY CUSD 1	WILLIAMSON	117	59	5.411
5	WINFIELD SD 34	DUPAGE	95	48	5.032
6	EAST ST LOUIS SD 189	ST CLAIR	114	57	4.988
7	SILVIS SD 34	ROCK ISLAND	71	36	4.612
8	JOLIET PUBLIC SD 86	WILL	86	43	3.904
9	COMMUNITY CONSOLIDATED SD 93	DUPAGE	45	23	3.85
10	HINCKLEY BIG ROCK CUSD 429	DEKALB	70	35	3.557
11	WEST NORTHFIELD SD 31	COOK	57	29	0.837
12	DU QUOIN CUSD 300	PERRY	115	58	0.736
13	BENTON CCSD 47	FRANKLIN	117	59	0.597
14	VILLA PARK SD 45	DUPAGE	46	23	0.28
15	WESTCHESTER SD 92-5	COOK	7	4	0.23
16	BIG HOLLOW SD 38	LAKE	52	26	0.225
17	MATTESON ELEM SD 162	COOK	38	19	0.15
18	CENTRAL SD 104	ST CLAIR	112	56	0.131
19	NORTHBROOK ELEM SD 27	COOK	57	29	0.128
20	MANTENO CUSD 5	KANKAKEE	79	40	0.088
21	BRADLEY SD 61	KANKAKEE	79	40	0.057
22	BETHALTO CUSD 8	MADISON	111	56	0.032
23	WESTMONT CUSD 201	DUPAGE	47	24	0.03
24	CITY OF CHICAGO PUBLIC SCHOOLS 299*	COOK			

NOTE: The City of Chicago Public Schools receive 20% of the total grant awards.
SOURCE: Capital Development Board

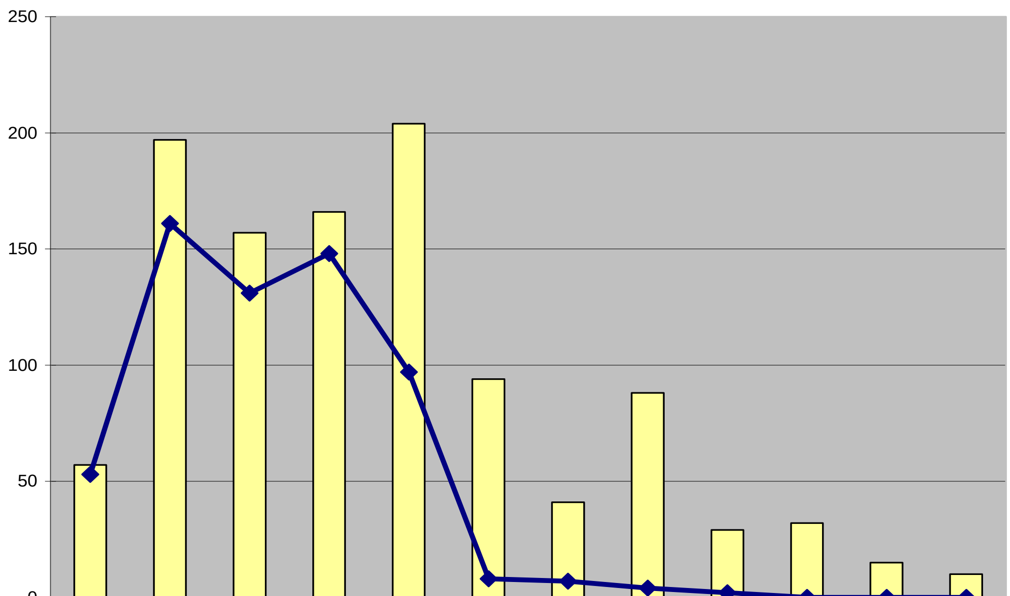
The School Construction Grant Program has basically received no new appropriations since FY 2004. The Governor had requested, in the Capital Plan Budget, a new appropriation for FY 2009 of $583 million. This appropriation would be part of his three-year $1.7 billion School Construction plan, which would appropriate $583 million a year to address classroom shortages and aging facilities. Of the $583 million in FY 2009, $149 million would go to cover 24 school district projects which have already been approved for funding. The remaining $434 million would pick up with FY 2003 applications that meet program requirements. At this time, no funding for the School Construction program has been approved.

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

Need: State school construction grants of $3.1 billion to date have benefited 502 school districts to aid in the building of 265 new schools and 3,177 renovations/additions. The Capital Development Board's 2007 Capital Needs Assessment shows that 450 elementary, secondary and unit school districts have the following $8.2 billion worth of needs:

- Over $1.9 billion is needed to build 71 school buildings;
- $5.2 billion is needed for overall general repair and remodeling, of which $2.9 billion is needed for Health/Life Safety needs;
- Over $1 billion is needed for 142 building additions;
- To ease overcrowding, districts are using 724 temporary classrooms;
- 45 school districts are considering consolidation;
- 819 Pre-Kindergarten classrooms are needed; and
- 818 Kindergarten classrooms are needed.

School Construction Projects

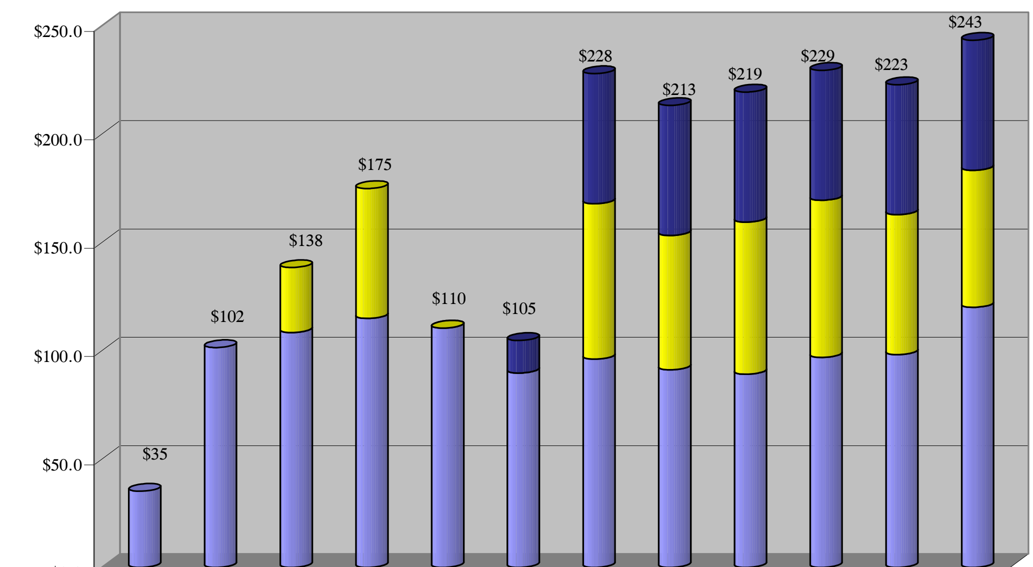


	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002*	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009^
Applications Received	57	197	157	166	204	94	41	88	29	32	15	10
Applications Entitled	53	161	131	148	97	8	7	4	2	0	0	0

[1.] "Entitlement signifies that a district has demonstrated a need and is eligible for a grant should sufficient funds be appropriated." (Source: Illinois State Board of Education)
[2]. FY 2009 is to date as of March 26, 2008.
[3.] 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.
[4.] FY 2003 through FY 2009 entitlements are suspended except for emergency situations. This amount denotes estimated emergency situations.

Lottery Lease: The Governor had planned to use pay-as-you-go funds for the School Construction program through the Illinois Works Fund from the expected lease of the Illinois Lottery. The United States Justice Department was asked to rule on the privatization of state lotteries by Indiana and New Jersey. In October 2008, the Justice Department ruled that the long-term lease of state lotteries would violate federal law. A state would be required to retain actual control over all significant business decisions and retain a majority of the profits and losses. While a private business can provide goods, services, and even management of a state lottery, it would only be allowed a minimal interest in the profits and losses, and only states are allowed to promote and advertise for lotteries through interstate commerce. In this case, management of a state lottery would not be profitable to an outside business. Other states and territories, besides Illinois, that had been interested in privatizing their lotteries include California, New York, Vermont, Texas, and Puerto Rico.

School Infrastructure Fund Revenues



	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002*	FY 2003*	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009^
Cigarette Tax						$15.0	$60.0	$60.0	$60.0	$60.0	$60.0	$60.0
Liquor Tax/GRF			$30.0	$60.0	$0.0	$0.0	$71.8	$62.0	$70.3	$72.5	$64.6	$63.3
Telecom Tax	$35.2	$101.5	$108.4	$114.9	$110.4	$89.7	$96.1	$91.2	$89.1	$96.9	$98.2	$120.0

^FY 2008 and FY 2009 amounts are CGFA estimates based on GOMB's expected debt service.
**The liquor tax transfer was suspended for FY 2002 and FY 2003 as part of the budget agreement.*

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.

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. Telecom revenues from the 1% portion fell to under $100 million each year from FY 2003 through FY 2008. Whenever this amount falls under the 1999 level of $101 million, GRF backfills the shortage amount, which has been done since FY 2004.

General Revenue Fund Backfill amounts for School Construction Fund ($ in millions)					
FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
$11.8	$2.0	$10.3	$12.5	$4.6	$3.3*

Telecom revenues for FY 2009 directed to the Fund are expected to be around $120 million (CGFA November 2008 estimate). The Comptroller has already transferred an additional $3.3 million from GRF into the School Infrastructure Fund (through November 26, 2008) for FY 2009. Additional transfers from the General Revenue Fund are allowed since School Construction bonds are general obligations of the State and would normally be paid from the General Revenue Fund. School Construction bonds are "double barrel" bonds because they are G.O. bonds that are funded from specific revenue streams. In the past, each time the program was expanded an additional revenue stream was added to pay for the increases in funding.

Debt service on School Construction G.O. Bonds ($ in Millions)										
1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009†
$6.7	$21.2	$49.4	$73.2	$127.5	$154.6	$196.7	$225.9	$232.9	$235.9	$223.1

†*Office of Management and Budget estimate.*

FY 2009 School Infrastructure Fund revenues are estimated to be $243 million (CGFA November 2008 estimate) and debt service is expected to be $223 million per the Governor's Office of Management and Budget. Funds are transferred monthly from the School Infrastructure Fund to the General Obligation Bond Retirement and Interest Fund to pay for the school construction portion of debt service. The following table shows the debt service on school construction bonds.

SUMMARY OF
STATE SUPPORTED BOND DEBT

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

SUMMARY OF STATE SUPPORTED BOND DEBT

State Supported bond debt can be divided into three categories: general obligation debt backed by the full faith and credit of the State, State-issued revenue debt supported by dedicated tax 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. Bond proceeds are distributed under categories for capital facilities, anti-pollution, coal and energy development, school construction, and transportation projects—roads and bridges, mass transit, rail and aviation.

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

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

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

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

BOND AUTHORIZATION

General Obligation Bonds

General Obligation bonds are seen as the most secure type of bond issuance by any government because they carry the pledge that the government will pay the bondholders from any and all revenues. States often issue debt when funds are not available to pay for projects and in time of budget crises. Today, the G.O. pledge is used in new areas to make the sale of certain types of bonds more attractive in the current market. Illinois is no different, having legislated G.O. authorization for Tobacco "Securitization" bonds and 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 1: GENERAL OBLIGATION AUTHORIZATION LEVELS

(in billions)	New Projects	Tobacco*	Pension Systems	**Subtotal**	Refunding	**Total**
May 2000	$14.198	N/a	N/a	**$14.198**	$2.84	**$17.037**
June 2001	$15.265	N/a	N/a	**$15.265**	$2.84	**$18.104**
June 2002	$16.908	$0.750	N/a	**$17.658**	$2.84	**$20.497**
April 2003	$16.908	$0.750	$10.000	**$27.658**	$2.84	**$30.497**
January 2004	$16.927	$0.000	$10.000	**$26.927**	$2.84	**$29.766**

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

The current General Obligation bond authorization for new projects is $16.927 billion, with approximately $1.936 billion remaining unissued as of November 30, 2008. During the November 2008 Veto Session, both Houses of the General Assembly passed a $35 million increase in authorization in the Coal and Energy Development category of the General Obligation Bond Act. The increase is to allow the Illinois Power Agency to pay for cost reports for new facilities with bond funds. Facility cost reports are required from the owner by the IPA before a sourcing agreement with a clean coal facility is approved, and shall contain: a front-end engineering and design study, estimated capital costs, method of financing, and an operating and maintenance cost quote for the facility. At the time of this report, the bill was still awaiting the Governor's approval. **Authorization has not been increased since January 2004.**

The following table lists the General Obligation and Build Illinois bond authorization levels per statute, what has not been issued, and the remaining authorization "Available" after expected FY 2009 appropriations. As shown by the table on the following page, Capital Facilities and Transportation A have been over-appropriated (excluding premiums) by $402 million and $63 million, respectively, through current FY 2009 appropriations, while Build Illinois is over-appropriated by $332 million (excluding premiums). Available appropriations for every other category are nominal.

With any new Capital Plan, authorization for all categories would need to be increased, and possible revenue sources found to support new authorization.

TABLE 2: STATUS OF G.O. AND STATE-ISSUED BONDS as of November 30, 2008				
(in billions)	Authorization	Un-Issued	Appropriated†	Available after appropriations
Capital Facilities	$7.320	$0.823	$7.722	-$0.402
School Construction	$3.150	$0.184	$3.100	$0.050
Anti-Pollution	$0.480	$0.024	$0.475	$0.005
Transportation A	$3.432	$0.099	$3.495	-$0.063
Transportation B	$1.882	$0.244	$1.861	$0.021
Coal & Energy Development	$0.663	$0.562	$0.174	$0.489
SUBTOTAL	**$16.927**	**$1.936**	**$16.827**	**$0.100**
Tobacco bonds	$0.750	$0.750	$0.000	$0.000
Pension bonds	$10.000	$0.000	$10.000	$0.000
TOTAL	**$27.677**	**$2.686**	**$26.827**	**$0.100**
	Limit	**Un-Issued**	**Outstanding**	**Available**
Refunding°	$2.839	$0.896	$1.943	$0.896
	Authorization	**Un-Issued**	**Appropriated†**	**Available after appropriations**
Build Illinois	$3.806	$0.422	$4.090	-$0.284
	Limit	**Un-Issued**	**Outstanding**	**Available**
Build IL Refunding	Unlimited	N/a	$0.648	Unlimited
	Authorization	**Un-Issued**	**Outstanding**	**Available**
Civic Center	0.317	0.146	$0.054	0.146
	Limit	**Un-Issued**	**Outstanding**	**Available**
Civic Center Refunding	Unlimited	Unlimited	$0.054	Unlimited
Source: Illinois Office of the Comptroller, "Recap of General and Special Obligation Bonded				

†Includes cumulative expenditures for prior years up through FY 2008 plus FY 2009 appropriations and reappropriations.

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

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

State-Issued Revenue Bonds

Total Build Illinois bond authorization equals $3.806 billion with $422 million remaining unissued as of November 30, 2008. Authorization has not been increased since January 2004. There is no refunding limit placed on Build Illinois bonds.

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

TABLE 3: BUILD ILLINOIS AUTHORIZATION INCREASES (in millions)		
Year	Public Act	Increase
1999	91-0039	$754.0
2000	91-0709	$61.0
2001	92-0009	$688.7
2002	92-0598	$264.8

Authorization for Civic Center bonds is limited to $200 million of new project bonds outstanding at one time. Refunding authorization is unlimited. Since October 1991, no applications have been approved and no new funding has been issued. Civic Center Authorization available as of September 30, 2008, is $146 million.

Locally-Issued Revenue Bonds

MPEA: In August 2001, the Legislature increased authorization for the Metropolitan Pier and Exposition Authority by $800 million for another expansion of McCormick Place. These bonds were issued July 2, 2002. The MPEA has an unissued authorization level of $0.9 million. **Legislation has been introduced to allow the Authority to restructure and refund their debt and extend the refunding maturities to 2048, past the maturities of the bonds they would be refunding.** If allowed to refund, the MPEA could watch the markets for a lower interest rate. This combined with the extension and restructuring of debt service payments would give them breathing room to cover the debt service being paid back by local taxes, even if they under-perform in the future. The MPEA would also like to raise authorization by $350 million to expand their Hyatt Regency -McCormick Place Hotel from 800 rooms to 1400, and include a ballroom, meeting space, parking facility and other improvements for McCormick Place to remain competitive.

RTA: The RTA has State Supported bonds called Strategic Capital Improvement Project (SCIP) bonds. The RTA was given authorization of $1.3 billion for the SCIP II bond program, as a part of the Illinois First program, with approximately $260 million of authorization remaining. Due to $117.0 million in premiums received from previous SCIP II bond sales, the Administration had discussed the possibility of lowering the remaining amount allowed to be issued to $143 million. After negotiations occurred between the Administration and the RTA for the FY 2007 budget, PA 94-0839 was passed which allowed the RTA to spend the proceeds of SCIP bonds issued, rather than just the authorization level, to take advantage of the premiums received on SCIP bonds in earlier fiscal years due to the strong bond market. The Authority sold $250 million of bonds in FY 2007, leaving approximately $10 million in authorization. **The RTA still foresees a need for projects and maintenance, and will be requesting an increase in authorization for another round of SCIP bonds.**

ISFA: In FY 2001, the General Assembly increased bonding authorization for the Illinois Sports Facilities Authority (ISFA) Act by $399 million to finance renovations for the Chicago Bears Stadium at Soldier Field and related lakefront improvements. The bonds were issued in October of 2001. According to the ISFA, they have approximately $85.8 million of unissued authorization.

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 4: BOND SALES ($ In Millions)				
FY 2007				
Type of Bond	Issuance	Amount	Competitive or Negotiated	Purpose
G.O. Certificates	February 2007	900.0	Competitive	Short-Term Borrowing
General Obligation	April 2007	150.0	Competitive	Project Funding
General Obligation	June 2007 Series A	108.0	Negotiated	Project Funding
General Obligation	June 2007 Series B	329.0	Negotiated	Refunding
	Total	**$1,487.0**		
FY 2008				
Type of Bond	Issuance	Amount	Competitive or Negotiated	Purpose
Build Illinois	July 2007	50.0	Competitive	Project Funding
G.O. Certificates	September 2007	1,200.0	Competitive	Short-Term Borrowing
General Obligation	April 2008	125.0	Competitive	Project Funding
G.O. Certificates	April 2008	1,200.0	Competitive	Short-Term Borrowing
	Total	**$2,575.0**		

As Table 4 shows, total bond sales for FY 2007 equaled $1.487 billion. Of this total, $900 million was for short-term borrowing, $258 million was for new projects and $329 million was for refunding previous bond debt. FY 2008 bond sales totaled $2.575 billion, of which $2.4 billion was for short-term borrowing and $175 million was for new projects. Total project bond sales for FY 2008 were 32.2% lower than FY 2007, while refunding bond sales were down 100.0% in FY 2008.

General Obligation Bonds

Table 5 breaks down general obligation sales for FY 2007 and FY 2008 by purpose. In FY 2008, new project G.O. bond sales decreased 51.6%, from $258 million to $125 million. Refunding decreased by 100.0%.

TABLE 5: G.O. BOND SALES BY PURPOSE ($ in Millions)				
	FY 2007	FY2008	$ Change	% Change
Projects	$258.0	$125.0	-$133.0	-51.6%
Refunding	329.0	0.0	-329.0	-100.0%
TOTAL	**$587.0**	**$125.0**	**-$462.00**	**-78.7%**

The Governor's Office of Management and Budget has not provided any official estimates for FY 2009 bond sales due to continuing negotiations for a capital plan. There have been no G.O. project bond issuances to date in FY 2009.

State-Issued Revenue Bonds

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

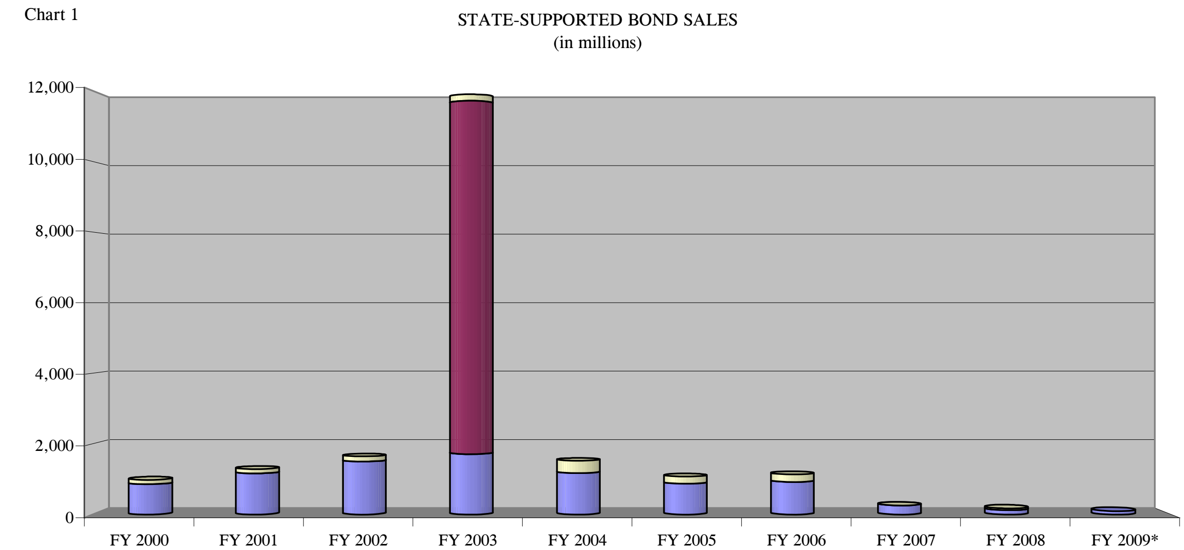
Build Illinois. In FY 2007 there were no bond sales for the Build Illinois program. In FY 2008 there was one Build Illinois bond issuance of $50 million. Table 6 compares Build Illinois bond sales by purpose for FY 2007-FY 2008.

TABLE 6: BUILD IL BOND SALES BY PURPOSE ($ in Millions)				
	FY 2007	FY 2008	$ Change	% Change
Projects	$0.0	$50.0	$50.0	100.0%
Refunding	0.0	0.0	0.0	0.0%
TOTAL	**$0.0**	**$50.0**	**$50.00**	**100.0%**

The Governor's Office of Management and Budget has not provided any official estimates for FY 2009 bond sales due to continuing negotiations for a capital plan. There have been no bond issuances for the Build Illinois program to date in FY 2009.

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 FY 1992 when a moratorium was placed on the program.

Bond Sales History



	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009*
State-Issued	125	125	150	182	350	200	215	0	50	
Pension				10,000						
G.O.	860	1,165	1,500	1,712	1,175	875	925	258	125	100

Note: Excludes Refundings and Short-term borrowing.

Chart 1 shows the level of general obligation bond and State-issued revenue bond sales for new money projects from FY 2000 to FY 2008. In FY 2003 $10 billion in Pension Obligations bonds were sold, while General Obligation project bond were at their highest of $1.712 billion. While G.O. sales increased up through FY 2003, they began to decline after that record year due to no new authorization and the lack of any bond funded capital plan since FY 2004. Build Illinois issuances reached $350 million in FY 2004, and remained above the $200 million mark through FY 2006.

In FY 2007, General Obligation bond sales were $258 million and there were no Build Illinois bond sales. The FY 2008 issuance of $125 million of G.O. bonds is the lowest since FY 1990, and the $50 million Build Illinois bond issuance is the lowest since FY 1998.

Locally-Issued Revenue Bonds

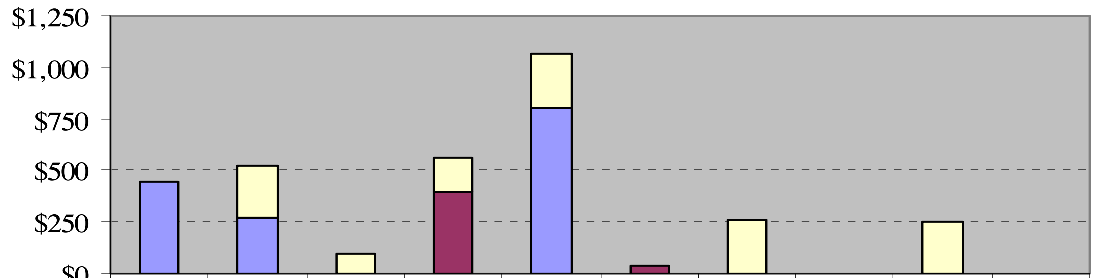
Metropolitan Pier and Exposition Authority: In 2001 the State increased the MPEA's bonding authorization by $800 million. Expansion bonds were sold July 2, 2002 in the amount of $802 million. Other issuances in FY 2003 and FY 2004 were refundings of $285.7 million and $42.5 million respectively. There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

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

Illinois Sports Facilities Authority: The November 2000 General Assembly passed an increase in authorization of $399 million for the Illinois Sports Facilities Authority. In October of 2001 the ISFA sold the $399 million in new bonds for the renovation of Soldier Field and related lakefront property. The last time the Authority issued new money bonds was in FY 2004 in the amount of $42.5 million for U.S. Cellular Field renovations.

CHART 2

LOCALLY-ISSUED REVENUE BOND SALES
(in millions)



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

MPEA ISFA RTA

The ISFA does not expect to issue any bonds in FY 2009. The MPEA and the RTA are both requesting authorization increases, but at this time have little authorization available to issue any bonds.

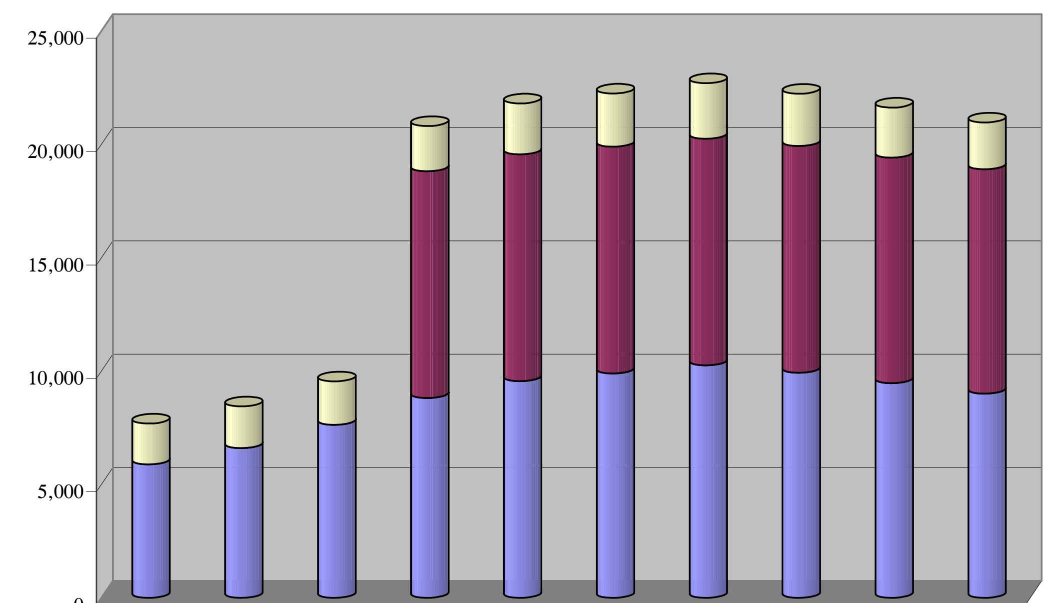
OUTSTANDING DEBT

In FY 2006 principal outstanding for all State Supported debt was at its highest level at approximately $22.7 billion. Since FY 2006, State-supported principal outstanding has decreased. The decline of approximately $1 billion in outstanding principal from the FY 2006 level of $22.7 billion to the FY 2008 level of $21.6 billion is due to two basic factors:

- Little or no bond issuance—Any bond issuances over the past few years were made to pay for appropriated projects from previous years. Authorization levels for most bond categories have been spent. Bonds sold over the FY 2007-FY 2008 period equaled $383 million, while bonds sold over the previous two-year period, FY 2005-FY 2006, equaled $2.2 billion.
- Paying debt service—the State has made its required debt service payments on General Obligation and State-Issued Revenue bonds, which will have paid down approximately $1.5 billion of principal from FY 2007 to FY 2008.

Chart 3

STATE-SUPPORTED PRINCIPAL OUTSTANDING



	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009*
State-Issued	1,798	1,844	1,913	1,999	2,253	2,348	2,443	2,305	2,209	2,064
Pension				10,000	10,000	10,000	10,000	10,000	9,950	9,900
G.O.	5,886	6,600	7,630	8,813	9,556	9,893	10,251	9,926	9,463	9,002

* FY 2009 shows what principal outstanding is currently with no bond issuances having

General Obligation Bonds

G.O. principal at the end of FY 2007 decreased 1.6%, to $19.9 billion, over the previous fiscal year's amount of $20.3 billion. FY 2008 principal outstanding was $19.4 billion, a decrease of 2.6%. Current G.O. principal outstanding for FY 2009, with no bond issuances to date, is $18.8 billion, a decrease of 3.1% over the previous year.

State-Issued Revenue Bonds

All increases in State-issued revenue bond principal outstanding since the early 1990s have been strictly from the Build Illinois bond program. State-issued revenue bonds saw a 12.7% increase in outstanding principal in FY 2004. FY 2005 and FY 2006 saw an average increase of $94 million a year, around 4.0%.

FY 2007 principal outstanding actually decreased by 5.6%, mainly because there were no Build Illinois bond sales in FY 2007. The FY 2008 decrease was 4.1%, with only $50 million in Build Illinois bonds being issued. With no bond sales through the first half of FY 2009, the current decrease in principal outstanding is 6.6%.

Locally Issued Revenue Bonds

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

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

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

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

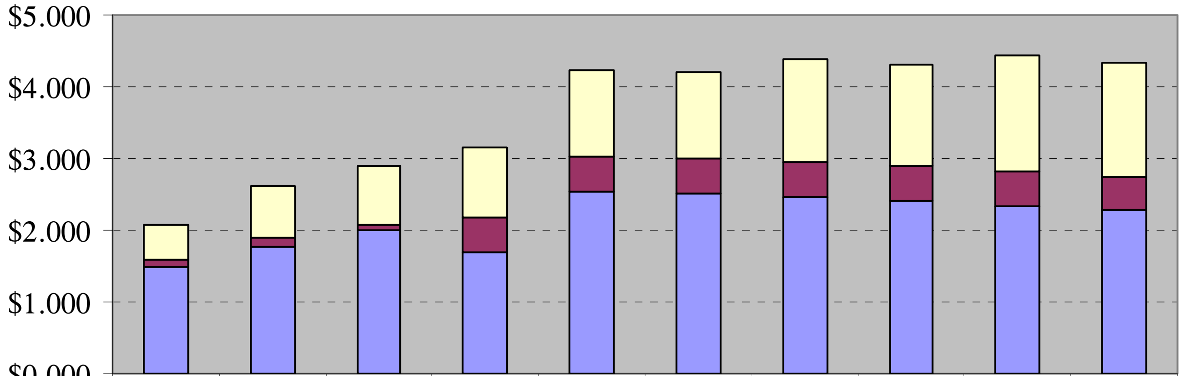
- In FY 2004 the ISFA sold approximately $43 million in new project bonds.

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

- With no bond sales in FY 2008, principal outstanding combined for the three Authorities decreased by approximately 2.2% to $4.341 billion.

CHART 4

LOCALLY-ISSUED REVENUE BONDS
PRINCIPAL OUTSTANDING
(in billions)



	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
RTA	$0.476	$0.733	$0.823	$0.973	$1.218	$1.199	$1.438	$1.409	$1.628	$1.595
ISFA	$0.111	$0.104	$0.088	$0.479	$0.471	$0.504	$0.495	$0.485	$0.474	$0.464
MPEA	$1.488	$1.782	$1.996	$1.695	$2.545	$2.503	$2.450	$2.409	$2.337	$2.283

MPEA ISFA RTA

DEBT SERVICE

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

General Obligation

G.O. debt service is paid from the General Obligation Bond Retirement and Interest Fund, which receives transfers from the Road Fund (for Transportation A/highways), the School Infrastructure Fund, and the General Revenue Fund.

In FY 2008, the Road Fund supported 21.5% of G.O. debt service, the School Infrastructure Fund 19.9%, and the General Revenue Fund 58.6%.

At current debt levels in FY 2009, the Road Fund would support an estimated 21.8% of G.O. debt service, the School Infrastructure Fund 19.2%, and the General Revenue Fund 59.0%.

TABLE 7: GENERAL OBLIGATION DEBT SERVICE BY FUND

($ Millions)	FY 2007 Amount	FY 2007 % of Total	FY 2008 Amount	FY 2008 % of Total	FY 2009 Amount	FY 2009 % of Total
Road Fund	$253.7	21.5%	$254.8	21.5%	$252.9	21.8%
School Infrastructure Fund	$232.9	19.7%	$235.9	19.9%	$223.1	19.2%
General Revenue Fund	$693.0	58.7%	$695.6	58.6%	$684.3	59.0%
SUBTOTAL	**$1,179.6**	**100.0%**	**$1,186.3**	**100.0%**	**$1,160.3**	**100.0%**
General Revenue Fund for POBs	$423.7	85.4%	$470.1	86.1%	$469.0	86.1%
Other Funds for POBs* (*per SERS' certification)	$72.5	14.6%	$76.1	13.9%	$76.0	13.9%
SUBTOTAL	**$496.2**	**100.0%**	**$546.2**	**100.0%**	**$545.0**	**100.0%**
GRAND TOTAL	**$1,675.8**		**$1,732.5**		**$1,705.3**	

FY 2009 General Obligation Debt Service is based on current debt service owed in FY 2009.
FY 2009 POB Debt Service is a CGFA estimate.

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

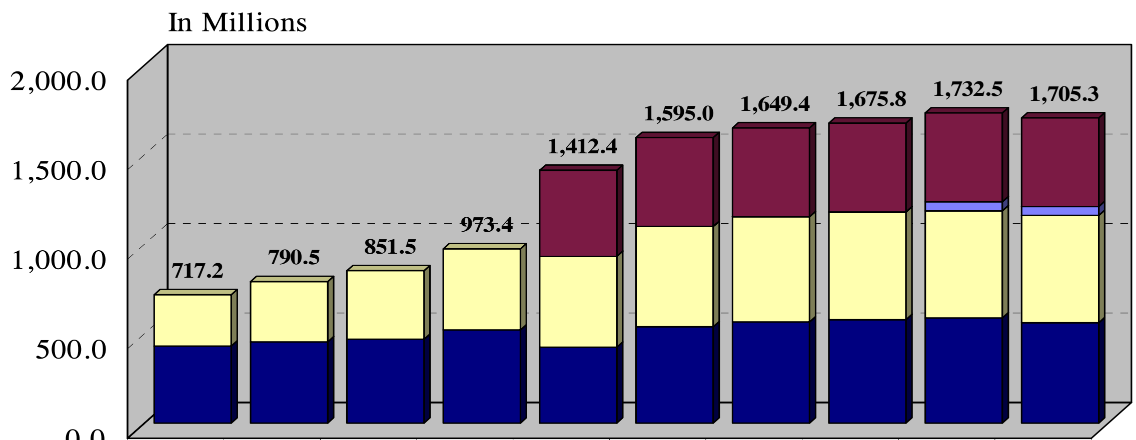
FY 2006 payments from SERS funds for POB debt service equaled $78.3 million, FY 2007 payments equaled $72.5 million, and FY 2008 payments were $76.1 million. Since FY 2006, payments from SERS funds have remained around 14% of the total annual payment made for POB debt service.

Chart 5 shows General Obligation debt service payments broken out by project and Pension Obligation Bond principal and interest.

CHART 5

GENERAL OBLIGATION DEBT SERVICE

Project v. POB principal and interest



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*
POB Interest					481.0	496.2	496.2	496.2	496.2	495.0
POB Principal					0.0	0.0	0.0	0.0	50.0	50.0
Project Interest	286.7	336.6	382.6	453.2	507.7	560.5	587.8	602.0	598.6	599.1
Project Principal	430.5	453.9	468.9	520.2	423.7	538.3	565.4	577.6	587.7	561.2

Project Principal Project Interest POB Principal POB Interest

*FY 2009 numbers are based on current State bond issuances per GOMB.

The State paid $1.733 billion in General Obligation debt service in FY 2008. Of that amount $588 million was for principal on project bonds and $599 million was for interest. The remaining $546 million paid for the 2003 Pension Obligation bonds was $496 million in interest and $50 million in principal. Current General Obligation debt service to be paid in FY 2009 is $1.705 billion, of which approximately $561 million is for project principal and $599 million is for interest. The payment on Pension Obligation bonds will be $50 million for principal and $495 million for interest.

The State made its first principal payment on the 2003 Pension Obligation Bonds in FY 2008. Payments on principal will begin at $50 million and increase to $1.1 billion in FY 2033, while interest payments decrease from early highs of up to $496 million down to $56 million by FY 2033. The POB debt service schedule is listed on the following page in Table 8.

TABLE 8: 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**

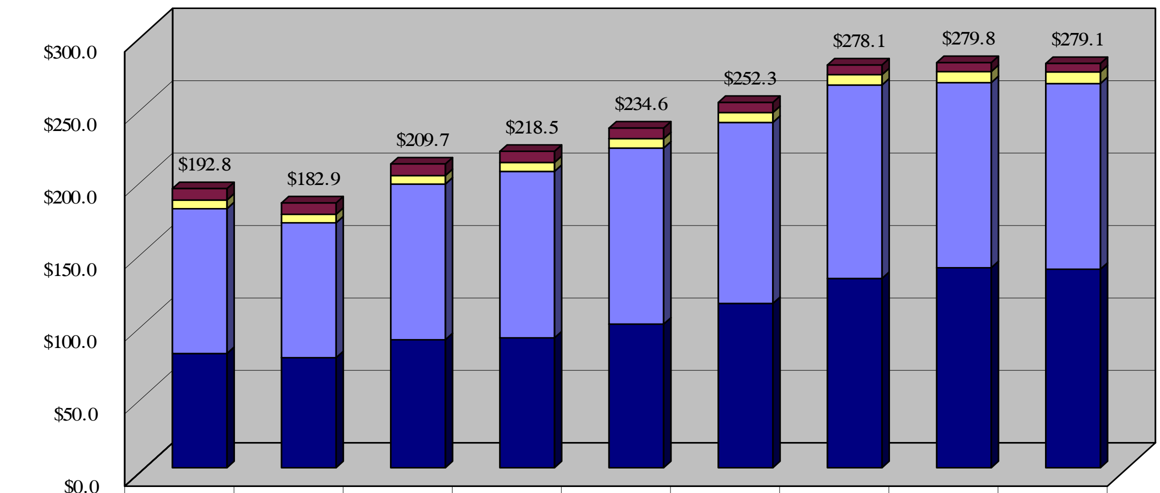
State-Issued Revenue Bonds

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 6. FY 2008 debt service was approximately $280 million, an increase of 0.6% from the FY 2007 level. FY 2009 is estimated to be $279 million, a decrease of 0.3% over the previous year.

Chart 6

STATE-ISSUED REVENUE DEBT SERVICE

Principal and Interest



	2001	2002	2003	2004	2005	2006	2007	2008	2009*
CC Interest	$7.9	$7.9	$8.0	$7.7	$7.4	$7.1	$6.7	$6.2	$5.8
CC Principal	$6.0	$5.9	$5.9	$6.2	$6.5	$6.8	$7.2	$7.6	$8.1
BI Interest	$100.0	$93.1	$107.5	$115.0	$121.5	$125.0	$133.5	$127.8	$128.2
BI Principal	$78.9	$76.0	$88.4	$89.7	$99.2	$113.4	$130.7	$138.1	$137.1

BI Principal | BI Interest | CC Principal | CC Interest

Source: Governor's Office of Management and Budget

Build Illinois. These bonds comprise the majority of debt service costs for the State-issued revenue bonds. Fiscal Year 2008 debt service for Build Illinois bonds was $266 million, comprised of $138 million in principal payments and $128 million in interest. FY 2009 Build Illinois debt service payments for current outstanding debt are expected to be $265 million, of which $137 million will be for principal payments and $128 million for interest payments. The slight decline in debt service is due to lower issuance of Build Illinois bonds since FY 2007. There were no Build Illinois bonds sold in FY 2007, and only $50 million was sold in FY 2008. FY 2005 and FY 2006 both had over $200 million in bond issuances.

Civic Center. Debt service for Civic Center bonds in FY 2008 will be approximately $13.8 million with the principal portion equaling $7.6 million and interest payments equaling $6.2 million. Civic Center bonds debt service payments for FY 2009 will be approximately $13.9 million, comprised of $8.1 million in principal and $5.8 million in interest. The State refunded $48.6 million of Series 1990A and $0.7 million of Series

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

P.A. 94-0839 allowed the transfer of the remaining balance in the Illinois Civic Center Bond Fund to the Illinois Civic Center Bond Retirement and Interest Fund. The Illinois Civic Center Bond Fund has not been appropriated since FY2004, and has had no activity since FY2001. The fund's balance of $177.5 thousand can be transferred to finance debt service on the outstanding bonds, ultimately saving GRF. This fund transfer eliminates neither the Illinois Civic Center Bond Fund itself nor the State's authority to issue civic center bonds. [30 ILCS 105/8g(ee)]

Locally-Issued Revenue Bonds

The MPEA's Dedicated State Tax Revenue bonds get transfers from the Build IL Fund for annual debt service. The McCormick Place Expansion Bonds are paid for from Chicago-related taxes, but there is a back up pledge of State sales tax in the case they are needed. The MPEA has borrowed from, but paid back, the back-up fund from FY 2004 to FY 2008. From FY 2009 on, the MPEA does not expect revenues will be able to match the increases in debt service [See MPEA section on page 12].

The State pays debt service on RTA Strategic Capital Improvement Project bonds. There are two issues with the timing of debt service payment on the bonds. First, it takes the State's Executive Branch five months from the beginning of the fiscal year to approve the grant for the annual payment. Additionally, once the SCIP requisition is submitted, it usually takes another month for the payment to be made. In the meantime, the RTA must dip into its reserves to pay the amount and basically wait for the "reimbursement" from the State. Due to the State's financial condition, the SCIP requisitions are usually not paid for two months after the date of submission. In FY 2009, these delays added together will require the RTA to borrow $60 million for debt service from their reserves while waiting for the State grant.

The Illinois Sports Facilities Authority has reported that they have no issues covering their expected $26 million debt service payment in FY 2009.

TABLE 9: LOCALLY-ISSUED REVENUE BOND DEBT SERVICE HISTORY									
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	est. FY 2009*
MPEA Dedicated Bonds	$31,592,075	$31,630,138	$31,591,317	$31,604,374	$31,589,211	$31,576,241	$31,607,366	$31,603,248	$31,570,190
MPEA Expansion Bonds	$79,996,185	$83,994,862	$88,985,938	$92,987,983	$95,242,941	$101,991,113	$107,983,162	$125,990,264	$131,996,260
ISFA	$12,351,050	$18,692,481	$21,744,200	$23,438,478	$24,154,189	$24,516,939	$24,572,746	$24,815,131	$26,212,381
RTA SCIP I	$39,003,000	$38,572,000	$38,576,000	$38,589,000	$38,667,000	$38,551,000	$38,575,000	$38,601,000	$38,643,000
RTA SCIP II	$9,231,000	$20,931,000	$34,417,000	$49,400,000	$64,721,000	$75,116,000	$78,130,000	$88,356,000	$90,578,000
TOTAL	$172,173,310	$193,820,481	$215,314,455	$236,019,835	$254,374,341	$271,751,293	$280,868,274	$309,365,643	$318,999,831

Recent Illinois Rating History

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

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

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

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

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

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

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

MAXIMUM RATING POSSIBLE
AAA or Aaa

GENERAL OBLIGATION BOND RATINGS					
RATING AGENCIES	JULY 1997	JUNE 1998	JUNE 2000	MAY 2003	DEC 2008
Fitch Ratings	**AA**	**AA**	**AA+**	**AA**	**AA-**
Standard & Poor's	**AA**	**AA**	**AA**	**AA**	**AA**
Moody's Investor Service	**Aa3**	**Aa2**	**Aa2**	**Aa3**	**Aa3**

The State sold $1.4 billion in General Obligation Certificates in December 2008. Fitch Ratings downgraded Illinois' G.O. bonds from an AA to an AA- with a stable outlook, stating that "the rating downgrade reflects deterioration of the state's fiscal position and a continuing inability to achieve solutions...given the controversy and uncertainty surrounding the Governor's situation, as well as the inability last fiscal year, and so far this year, to achieve a consensus on corrective measures, it is unclear at this time how budgetary solutions will move forward and be implemented". [www.fitchratings.com, "Fitch Downgrades Illinois' GO Bonds to 'AA-'; Outlook Stable", December 15, 2008]

Standard and Poor's put Illinois' G.O. bonds on its credit ratings watch list for a possible negative downgrade. "The CreditWatch placement reflects our opinion of the state's growing budgetary shortfall, now projected at $2.0 billion for the current fiscal year, and our concern that the legal charges now facing the governor and his chief of staff may challenge the state to respond to this fiscal situation on a timely basis." [www.ratingsdirect.com, S&PCORRECTED: "Illinois' GO Rating Placed On CreditWatch Negative", December 11, 2008].

Moody's reaffirmed the State's Aa3 rating with a stable outlook, while giving the State's G.O. Certificates a MIG 2 rating, lower than the MIG 1 ratings given to the G.O. Certificates of April 2008 and September 2007.

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

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

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

Table 11 lists the ten states that have the highest net tax supported debt in the U.S. In 2002 (pre-Pension Obligation Bonds), Illinois was ranked 6th highest in net tax supported debt with $13.1 billion, an estimated 5% of the nation's $261 billion total. In 2004 (not shown here), the national total was $340 billion, and Illinois was ranked 3rd with $25.7 billion in net tax-supported debt, making up approximately 7.5% of the nation's total. In 2005, Illinois' debt increased by approximately $200 million to $25.9 billion and dropped to the 5th highest state with 7.2% of the nation's $360 billion total. In 2006 and 2007, Illinois net tax supported debt was 6.7% and 6.4% respectively, placing it as the 5th highest state in the nation in net tax-supported debt.

TABLE 11:	10 HIGHEST STATES IN NET TAX-SUPPORTED DEBT in billions								
	2002 National Total = $261			2005 National Total = $360			2007 National Total = $398		
	2002 (pre POB sale)			2005			2007		
RANK	STATE	DEBT	% OF NATION	STATE	DEBT	% OF NATION	STATE	DEBT	% OF NATION
1	New York	$40.1	15.4%	California	$57.7	16.0%	California	$61.6	15.5%
2	California	$28.4	10.9%	New York	$49.5	13.7%	New York	$53.3	13.4%
3	Massachusetts	$21.2	8.1%	New Jersey	$28.6	7.9%	New Jersey	$30.2	7.6%
4	New Jersey	$18.1	6.9%	Massachusetts	$26.4	7.3%	Massachusetts	$29.2	7.3%
5	Florida	$16.5	6.3%	**Illinois**	**$25.9**	**7.2%**	**Illinois**	**$25.5**	6.4%
6	**Illinois**	**$13.1**	**5.0%**	Florida	$17.4	4.8%	Florida	$18.3	4.6%
7	Connecticut	$11.9	4.6%	Connecticut	$12.7	3.5%	Connecticut	$13.0	3.3%
8	Washington	$9.1	3.5%	Washington	$10.6	2.9%	Washington	$12.3	3.1%
9	Ohio	$8.6	3.3%	Ohio	$10.5	2.9%	Texas	$11.5	2.9%
10	Pennsylvania	$8.5	3.3%	Pennsylvania	$9.5	2.6%	Ohio	$11.1	2.8%
RANGE	$40 billion to $61 million			$58 billion to $48 million			$59 billion to $40 million		

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

The current ratings for the above states are shown in the chart on the following page. California has the lowest ratings of this grouping due to the large amounts of debt it has taken on over the years since the last recession. Although California saw multiple downgrades in 2003, they have received upgrades from S&P and Fitch and two level upgrades from Moody's in 2005. New York also was upgraded by Moody's in December of 2005. S&P raised the State of Washington's general obligation bond rating from AA to AA+ in November 2007, since they have added a constitutional amendment to create a budget reserve fund. In the fall of 2008, California was put on the negative watch lists of S&P and Fitch, while Illinois was put on the negative watch list of S&P and downgraded a level by Fitch.

Moody's forecasts that increased spending pressures fighting for funding with capital needs, will cause more debt issuance; but, that this could be tempered by the need for many states to refinance auction rate and variable rate bonds to fixed interest rates due to "inflationary factors or technical market considerations". In a report entitled, "A Weak Economy Will Tax U.S. States' 2009 Budgets", Standard & Poor's reports that the economic and credit climate has increased state budget gaps in 2008 and will continue to do so in 2009. How each state will fare is dependent on reserves available and any flexibility to manage revenue volatility. While sales tax revenues have declined for the forty-five states who impose them, and income taxes will be dependent on the job situation of each state, the "capital gains component – historically volatile and difficult to predict—of income tax will clearly be affected by trends in the real estate and financial markets". According to S&P, states will increase borrowing for education, infrastructure which would also aid economic development, and pension liabilities.

CHART 7

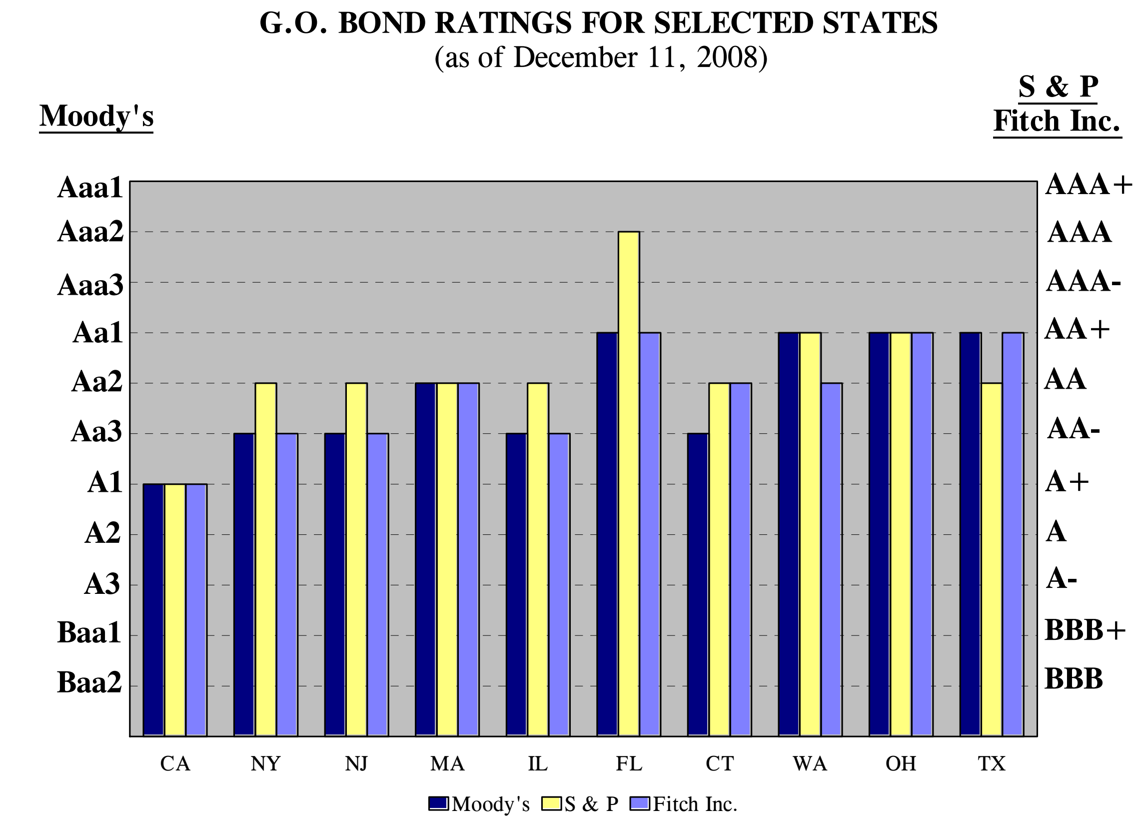
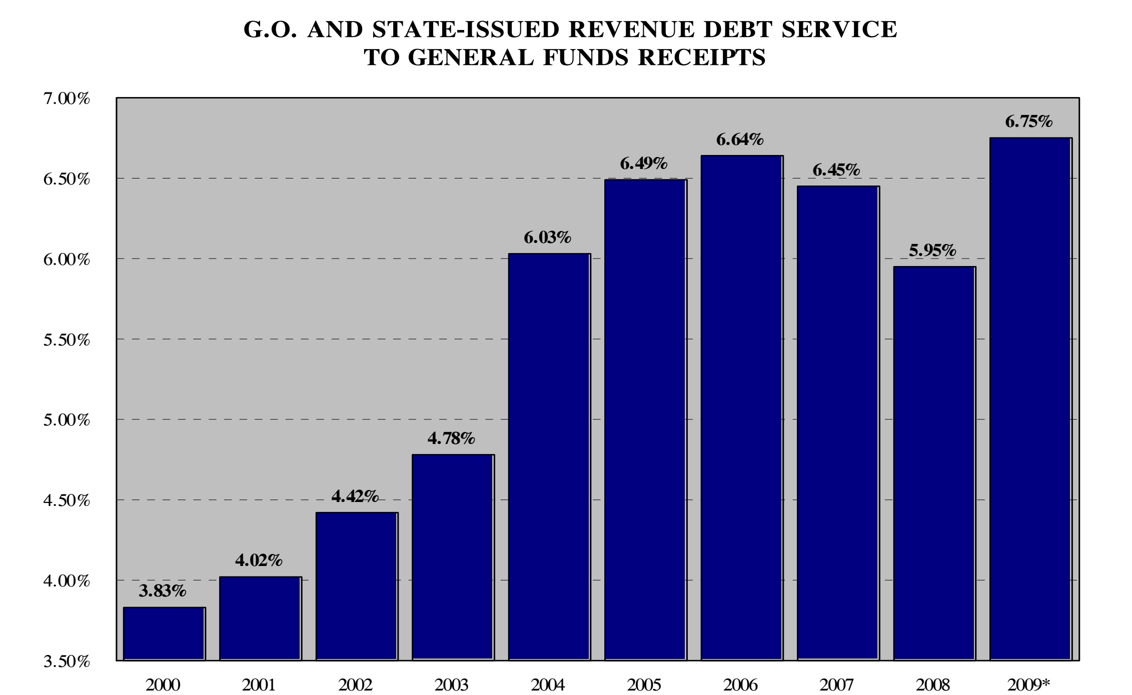


Chart 8 shows a history of general obligation and State-issued revenue debt service as a percentage of general funds receipts.

CHART 8



*FY 2009 numbers are based on the debt service the State currently owes.

SUMMARY OF NON-STATE SUPPORTED BOND DEBT

- **Moral Obligation Bonds**
- **Moral Obligation Defaults**
- **Bonded Indebtedness**

SUMMARY OF NON-STATE SUPPORTED BOND DEBT

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

"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.

Moral Obligation Bonds

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

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

Current Status: The State has several authorities which are allowed to issue moral obligation debt with the approval of the Governor. Only four authorities actually have moral obligation debt outstanding (as of June 30, 2008):

Illinois Housing Development Authority	$ 0.3 million
Southwestern Illinois Development Authority	$ 41.1 million
Illinois Finance Authority/Rural Bond Bank	$ 98.1 million
Upper Illinois River Valley Development Authority	$ 22.1 million
TOTAL	$161.7 million

Moral Obligation Defaults

There have been five loan payment defaults on moral obligation bonds issued at two of the authorities--one at the Upper Illinois River Valley Development Authority (UIRVDA) and four at the Southwestern Illinois Development Authority (SWIDA). Waste Recovery has received loans from both UIRVDA and SWIDA, with the State appropriating approximately $4.8 million, and the Authorities expending $3.1 million of that to cover the debt service payments through FY 2008. UIRVDA has put into place a four-level due diligence process for moral obligation bond requests to avoid any future defaults, and has only had this one default out of $150 million in bonds. SWIDA has also had moral obligation defaults caused by the Laclede Steel Company. It is estimated that the State has paid close to $5 million from 1999 through 2001 for debt service since Laclede filed for Chapter 11. Laclede has paid the trustee $3.6 million to cover debt service from December 2001 through February 2006 and also turned over to the State 265,732 shares of stock in the reorganized company. The State appropriated $2.8 million from FY 2007 through FY 2008 to cover debt service.

Spectrulite Consortium has also defaulted for the past five years on its loan from SWIDA, and the State has appropriated $3.8 million for their debt service through FY 2008, of which $2.4 million has been expended.

FY 2006 was the first year of default for Alton Center Business Park with the State appropriating up to $5 million over the past three years for debt service, of which approximately $3.3 million has been expended.

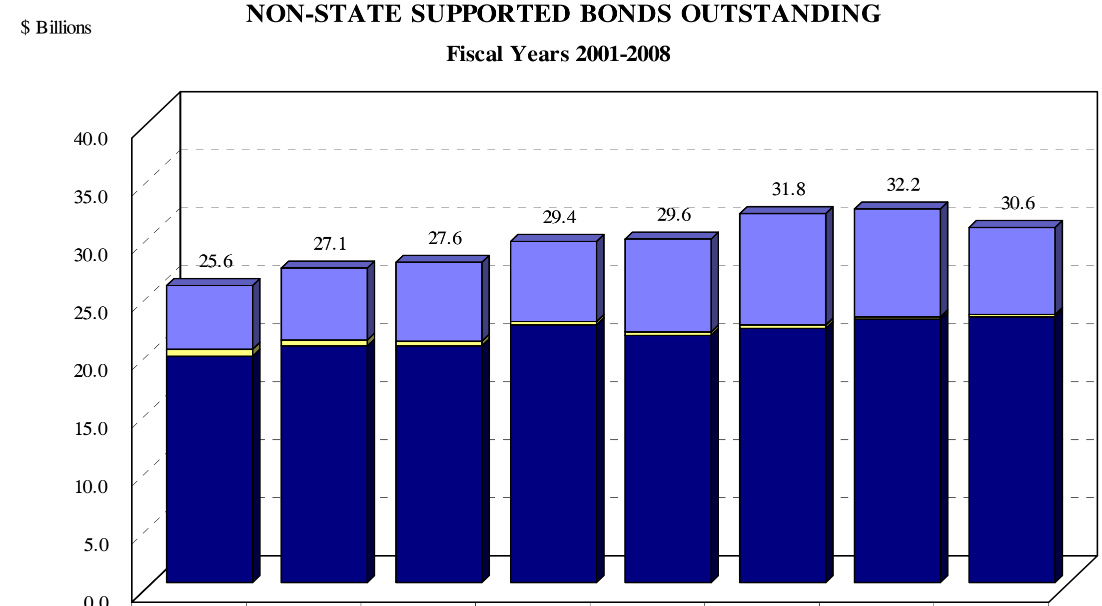
Moral Obligation Defaults

Authority	Bonds in Default		FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	TOTAL
Southwestern Illinois Development Authority	Alton Center Business Park	**Req/Approp**						$0	$1,950,000	$1,010,000	$1,026,000	$971,300	**$4,957,300**
		Expended					new	$0	$1,450,000	$820,000	$1,026,000		**$3,296,000**
	Spectrulite Consortium	**Req/Approp**					$232,700	$1,420,700	$737,725	$737,726	$719,313	$694,600	**$4,542,764**
		Expended						$1,420,700	$210,000	$451,183	$324,144		**$2,406,027**
	Waste Recovery	**Req/Approp**		$260,410			$464,700	$644,000	$360,715	$364,225	$415,655	$366,200	**$2,875,905**
		Expended						$644,000	$344,824	$340,471	$354,404		**$1,683,699**
	Laclede Steel	**Req/Approp**	$1,594,731	$1,697,594	$1,696,164	$0	$0	$0	$0	$1,391,143	$1,441,643	$1,483,200	**$9,304,475**
		Expended							$0	$1,195,607	$1,387,409		**$2,583,016**
Debt Outstanding as of FY 2008 = $22.1 million													
Upper Illinois River Valley Development Authority	Waste Recovery	**Approp**		$195,491			$353,414	$283,927	$512,123	$280,163	$277,591		**$1,902,709**
		Expended					$289,815	$290,670	$235,935	$285,905	$290,285		**$1,392,610**
Debt Outstanding as of FY 2008 = $1.42 million													
Debt Service Reserve Requirement = $290,430. Current Debt Reserve Value = $290,430.													

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

Bonded Indebtedness

CHART 9



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

Conduit Debt, Moral Obligation, User Charge

Chart 9 shows the level of outstanding debt for non-state supported bonds as reported by the issuing authorities. The User Charge category of debt has declined by $1.8 billion from FY 2007 to FY 2008. The Illinois Student Assistance Commission saw the largest decrease in principal due to a sell off of approximately $2.6 billion of debt. This sell off was tempered slightly by the Illinois State Toll Highway Authority's increase in principal for selling another $350 million for its 10-year program. The principal outstanding in the moral obligation category has overall remained steady, since the increase in IFA principal is neutralized by the decreases in Rural Bond Bank principal. Increases in conduit principal by the IFA of $3 billion, SWIDA by $181 million and UIRVDA by $75 million, have been tempered by the decreases in principal for the RTA and the IFA's predecessor authorities.

Table 12, on the following page, gives a more detailed breakout of principal outstanding and bond sales by each bonding authority.

TABLE 12: NON-STATE SUPPORTED DEBT BY AUTHORITY			
Authority	Type of Debt	Outstanding Principal FY 08	Bonds Issued in FY 08
IL Finance Authority	conduit	$11,780,172,000	$2,998,285,000
IL Development Finance Authority	conduit	$3,498,003,000	$0
IL Education Facilities Authority	conduit	$1,784,366,000	$0
IL Farm Development Authority	conduit	$82,782,000	$8,160,000
IL Health Facilities Authority	conduit	$4,377,295,000	$0
IL Rural Bond Bank	conduit	$4,035,000	$0
Quad Cities Regional Economic Development Authority	conduit	$48,040,000	$9,340,000
Regional Transportation Authority (non SCIP)	conduit	$653,745,000	$0
Southeastern IL Economic Development Authority	conduit	$11,151,825	$0
Southwestern IL Development Authority	conduit	$497,919,473	$186,192,316
Upper IL River Valley Development Authority	conduit	$128,797,536	$77,195,000
Western IL Economic Development Authority	conduit	$10,000,000	$0
Will-Kankakee Regional Development Authority	conduit	$45,710,000	$11,900,000
CONDUIT TOTAL		**$22,922,016,834**	**$3,291,072,316**
IL Housing Development Authority	moral	$309,215	$0
IL Rural Bond Bank	moral	$34,455,000	$9,045,000
IL Finance Authority	moral	$63,685,000	$0
Southwestern IL Development Authority	moral	$41,084,000	$0
Upper IL River Valley Development Authority	moral	$22,120,000	$0
MORAL TOTAL		**$161,653,215**	**$9,045,000**
Chicago State University	usercharge	$20,040,000	$0
Eastern IL University	usercharge	$36,800,000	$0
Governors State University	usercharge	$8,930,000	$8,930,000
IL Housing Development Authority	usercharge	$1,652,731,667	$182,505,000
IL State University	usercharge	$111,689,000	$30,635,000
IL Student Assistance Commission-IDAPP	usercharge	$884,400,000	$0
IL State Toll Highway Authority	usercharge	$3,042,890,000	$350,000,000
Northeastern IL University	usercharge	$20,755,000	$0
Northern IL University	usercharge	$105,242,000	$0
Southern IL University	usercharge	$256,351,794	$30,105,000
University of IL	usercharge	$1,325,070,000	$20,800,000
Western IL University	usercharge	$44,145,000	$0
USERCHARGE TOTAL		**$7,509,044,461**	**$622,975,000**
TOTAL OF CONDUIT & USERCHRGE		**$30,431,061,295**	**$3,914,047,316**
TOTAL CONDUIT, USERCHRGE, & MORAL		**$30,592,714,510**	**$3,923,092,316**

Source: Information received from the Authorities and Universities.

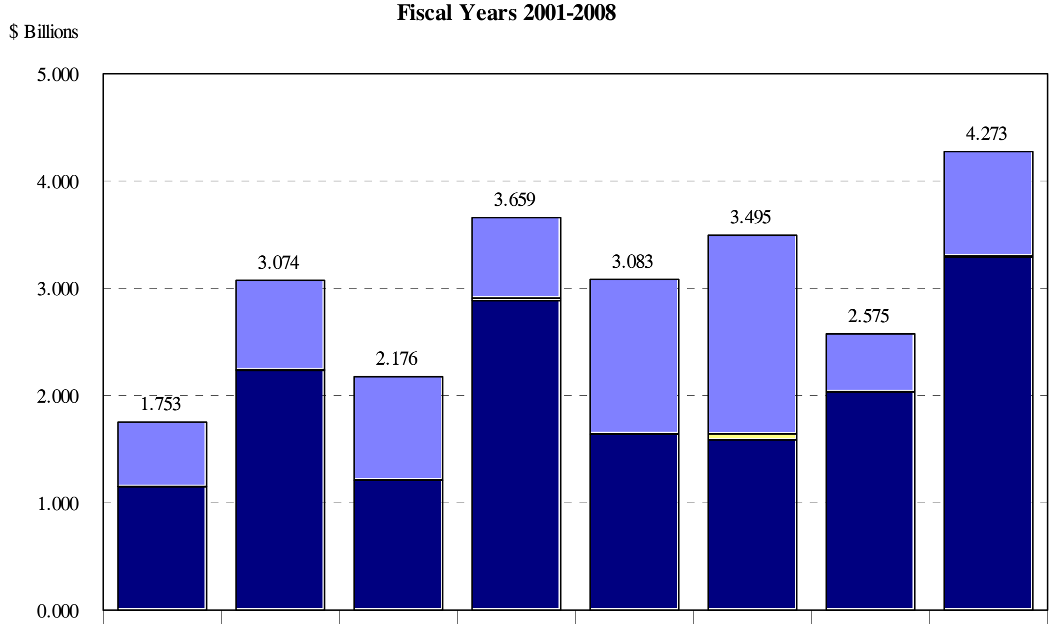
Chart 10, on the following page, shows that the sale of bonds for these authorities fluctuates from year to year. The big issuers in FY 2008 were the Illinois Finance Authority at $3 billion, the Southwestern Development Authority with $187 million, the Upper Illinois River Valley Development Authority for $77 million, the Illinois Housing Development Authority with $183 million, and the Tollway with $350 million.

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. The IFA refunded $2.9 billion, the Housing Development Authority refunded $222 million, and the Tollway refunded $766 million and restructured $700 million in variable rate debt.

CHART 10

NON-STATE SUPPORTED BOND ISSUES

Fiscal Years 2001-2008



	2001	2002	2003	2004	2005	2006	2007	2008
User Charge	0.600	0.831	0.964	0.752	1.441	1.852	0.539	0.973
Moral Obligation	0.001	0.009	0.000	0.021	0.002	0.056	0.002	0.009
Conduit	1.152	2.234	1.212	2.886	1.640	1.587	2.034	3.291

Conduit Moral Obligation User Charge

* Excludes Refunding issues.

IFA news

- The Illinois Finance Authority had its authorization increased from $26.65 billion to $28.15 billion, as signed by the Governor in August 2008.

- The Illinois Finance Authority and the Illinois Health Facilities Authority (a predecessor authority of the IFA) both had past bond issues being audited by the IRS for tax-exempt status. As of early September, both investigations had been closed with no changes made to tax-exempt status.

- The Illinois Power Agency, whose bonds are sold through the IFA, prepared and submitted to the Illinois Commerce Commission its Initial Power Procurement Plan for electricity to meet the supply needs of eligible retail customers served by AmerenCILCO, AmerenCIPS, AmerenIP, and Commonwealth Edison Company on or after June 1, 2009.

APPENDICES

- **A. Debt Service on $1 billion of G.O. Bonds, by Interest Rates**
- **B. Authorities and State Universities - Boards of Directors**

Appendix A

Debt Service on $1 billion of G.O. Bonds, by Interest Rates

G.O. Bonds: Debt Service per $1.0 billion of Authorization					
25 Year Maturity w/ level principal payments					
(in millions)					
Year	**4.50%**	**5.00%**	**5.50%**	**6.00%**	**6.50%**
Year 1	$85	$90	$95	$100	$105
Year 2	$83	$88	$93	$98	$102
Year 3	$81	$86	$91	$95	$100
Year 4	$80	$84	$88	$93	$97
Year 5	$78	$82	$86	$90	$95
Year 6	$76	$80	$84	$88	$92
Year 7	$74	$78	$82	$86	$89
Year 8	$72	$76	$80	$83	$87
Year 9	$71	$74	$77	$81	$84
Year 10	$70	$72	$75	$78	$82
Year 11	$67	$70	$73	$76	$79
Year 12	$65	$68	$71	$74	$76
Year 13	$63	$66	$69	$71	$74
Year 14	$62	$64	$66	$69	$71
Year 15	$60	$62	$64	$66	$69
Year 16	$58	$60	$62	$64	$66
Year 17	$56	$58	$60	$62	$63
Year 18	$54	$56	$58	$59	$61
Year 19	$53	$54	$55	$57	$58
Year 20	$51	$52	$53	$54	$56
Year 21	$49	$50	$51	$52	$53
Year 22	$47	$48	$49	$50	$50
Year 23	$45	$46	$47	$47	$48
Year 24	$43	$44	$44	$45	$45
Year 25	$42	$42	$42	$42	$43
TOTAL	**$1,585**	**$1,650**	**$1,715**	**$1,780**	**$1,845**

Appendix B

Authorities and State Universities - Boards of Directors

AUTHORITIES	Terms
Illinois Finance Authority	
William A. Brandt, Jr., Chairman	Term Expires 2010
Michael W. Goetz, Vice Chairman	Term Expires 2008
Dr. William J. Barclay	Term Expires 2008
Ronald E. DeNard	Term Expires 2009
James J. Fuentes	Term Expires 2009
Dr. Roger Herrin	Term Expires 2007
Edward H. Leonard, Sr.	Term Expires 2009
Terrence M. O'Brien	Term Expires 2008
Juan B. Rivera	Term Expires 2008
Lynn F. Talbott~	Term Expires 2009
Joseph P. Valenti~	Term Expires 2007
April D. Verrett	Term Expires 2008
Bradley A. Zeller	Term Expires 2009
~Resigned in August 2008	
Illinois Housing Development Authority	
Terry E. Newman, Chairman	Term Expires 2009
Robert Baker, Vice-Chairman	Term Expires 2009
Karen Davis, Treasurer	Term Expires 2009
Mary Kane, Secretary	Term Expires 2009
Floyd Gardner III	Term Expires 2009
Mark Kochan	Term Expires 2009
George Lampros	Term Expires 2009
Illinois Sports Facilities Authority	
Governor James R. Thompson, Chairman	Term Expires 2009
John T. McCarthy, Treasurer	Term Expires 2010
Timothy Ray, Secretary	Term Expires 2009
Alvin Boutte, Jr.	Term Expires 2011
Joan Etten Krall	Term Expires 2008
William R. Power	Term Expires 2010
Peter Q. Thompson	Term Expires 2009
Illinois Student Assistance Commission	
Donald J. McNeil, Chair	2005-2009
Sharon Alpi	2005-2011
Dr. Lynda Andre	2005-2009
Warren Daniels, Jr.	2005-2011
Sean Dauber	2008-2009
Dr. Mary Ann Louderback	2003-2007
Hugh Van Voorst	2002-2007
David Vaught	2005-2011
Kelvin Wing	2007-2009

Illinois State Toll Highway Authority

John Mitola, Chairman	2003-2011
David R. Andalcio	2003-2011
James J. Banks	1993-2009
Steven M. Harris	2005-2009
Thomas Canham	2007-2011
Betty-Ann Moore	2005-2007
Arthur George Pradel	2001-2007
James M. Roolf	2004-2009
Carl O. Towns	2002-2009
Governor Rod Blagojevich, ex officio	
IDOT Secretary Martin Sees, ex officio	

Metropolitan Pier and Exposition Authority

Theodore R. Tetzlaff, Chairman	2005-2008
Bruce R. Meckler, Vice Chairman	2004-2005
Peter J. O'Brien, Sr., Secretary/Treasurer	2003-2008
John S. Gates, Jr.	2007-2009
Isaac S. Goldman	1998-2008
Steven Hernandez	2004-2008
Michael E. Murphy	2004-2011
Robert A. Novelle, Jr.	2007-2011
James V. Riley	2004-2009
Alisa Starks	1999-2010
Sam Toia	2003-2010
Thomas P. Villanova	2008

Quad Cities Regional Economic Development Authority

Greg Kistler, Chairman	Term Expires 2007
Ann DeSmith, Vice-Chairman	Term Expires 2008
J.P. Jacobs, Treasurer	Term Expires 2005
Scott Verschoore, Secretary	Term Expires 2008
Robert Anderson	Term Expires 2004
Mark A. Appleton	Term Expires 2003
James Barnes	Term Expires 2007
Harry S. Coin	Term Expires 2008
Vacancy	Expired 2004
Vacancy	Expired 2005
Director of DCEO, ex officio	

Regional Transportation Authority

James R. Reilly, Chairman	2005-2009
James Buchanan	2007-2012
Jan E. Carlson	2008-2013
William R. Coulson	2007-2011
Tyrone Crider	2008-2013
Patrick J. Durante	1999-2009
Philip Fuentes	2008-2012
Dwight A. Magalis	1999-2009
Albert M. Jourdan	2008-2013
Patrick V. Riley, Jr.	2005-2010
Michael Rosenberg	1995-2013
J.D. Ross	2008-2013
Michael Scott	2008-2013
Judy Baar Topinka	2007-2011
Douglas M. Troiani	1995-2010
Vacancy	

Southeastern Illinois Economic Development Authority

Samuel F. Mateer, Chairman	Term Expires 2008
D.R. Smith, Vice-Chairman	Term Expires 2010
Dan Ramey, Treasurer	Term Expires 2008
Michael Donnewald	
James B. Rippy	Term Expires 2008
George W. Rosborough	Term Expires 2009
Marcia K. Scott	Term Expires 2009
Vacancy, Secretary	
Vacancy	
Joshua A. Weger, DCEO Appointment	Term Expires 2007

Southwestern Illinois Development Authority

Robert P. Lombardi, Chairman	1988-2008
James S. Nations, Vice Chair	2000-2011
Robert L. Plummer, Treasurer	2001-2008
Barbara S. Johnson, Secretary	2004-2007
Khalil El-Amin	2007-2010
Robert D. Halsey	2003-2006
Ed McMillan	2007-2008
David A. Miller	2006-2007
Roger E. Poole	2008-2011
Reggie Sparks	1997-2009
Jim Sullivan	2003-2008
Vacancy	
Tim Duckworth, CMS, ex officio	
Mary E. Koch, DCEO, ex officio	

Upper Illinois River Valley Development Authority

Chester Massino, Chairman	Term Expires 2009
James Miller, Vice-Chairman	Term Expires 2009
Dennis Hackett, Treasurer	Term Expires 2004
William Steep, Secretary	Term Expires 2005
James Ghiglieri, Jr.	Term Expires 2004
Barbara Griffith	Term Expires 2004
Michael Guilfoyle	Term Expires 2007
Blake Hobson	Term Expires 2009
Philip McCully	Term Expires 2005
William Meagher	Term Expires 2004
Greg Meyers	Term Expires 2007
Kevin Olson	Term Expires 2009
Thomas Setchell	Term Expires 2005
John Shaw	Term Expires 2004
Jeffrey Wilkins	Term Expires 2008
Vacancy	
Vacancy	
Vacancy	
Director of CMS, ex officio	
Director of DCEO, ex officio	

Western Illinois Economic Development Authority

Hubert G. Staff, Chairman	2004-
H.O. Brownback, Vice Chairman	2005-2012
Mervin Sorrells, Jr., Secretary/Treasurer	2004-
Mike Barnett	2004-
Tiffany Cole	
Matt Dickinson	2005-2014
Thomas E. Doran	2005-2010
David M. Gross	2004-
Richard L. Hitchcock	2005-2009
Robin Johnson	2007-2010
Eric Little	2005-
Mike McLaughlin	2005-2014
Darrell Sarff	2005-2010
Kai Schnitker	2005-
Patrick K. Syrcle	2005-2009
Ed Teefey	2005-
Mick Wisslead	2005-2010
Vacancy	
Director of CMS, ex officio	
Director of DCEO, ex officio	

Will Kankakee Regional Development Authority

Nelson Collins, Chairman	Term Expires 2007
Alice Argyelan, Vice-Chairman	Term Expires 2009
Phillip Williams, Treasurer	Term Expires 2008
Patrick Heenan, Secretary	Term Expires 2008
Howard Norberg	Term Expires 2009
Charles Parsons, Jr.	Term Expires 2007
Bobbie Peterson	Term Expires 2003
Vacancy	
Director of DCEO, ex officio	

STATE UNIVERSITIES	**Terms**

Chicago State University

Betsy Hill, Chairman	2007-2011
Rev. Richard L. Tolliver, Vice Chair	2007-2011
Jim Reynolds, Secretary	2007-2011
Jacoby Dickens	2007-2011
Rev. Leon D. Finney, Jr., Ph.D.	2007-2011
Peggy A. Montes	2007-2011
Jawuan Sutton, Student Trustee	

Eastern Illinois University

Robert L. Kratochvil, Chairperson	2004-2007
William O'Rourke, Vice Chairperson	2005-2011
Leo Welch, Secretary	2004-2013
Dr. Robert Webb, Member Pro Tem	2004-2011
Julie Nimmons	2001-2007
Don Yost	2005-2011
Eric Wilbur, Student Trustee	2008-2009

Governors State University

Lorine Samuels, Chairperson	Term Expires 2007
Jack Beaupre, Vice Chairperson	Term Expires 2011
Kristi DeLaurentiis, Secretary	Term Expires 2011
Bruce Friefeld	Term Expires 2007
Lois Mayer	Term Expires 2011
Elizabeth Green, Student Board Member	Term Expires 2008

Illinois State University

Michael McCuskey, Chair	2005-2011
Joanne Maitland, Secretary	2008-2013
Jay D. Bergman	2005-2011
Anne Davis	2005-2011
Bob Dobski	2008-2013
Betty Kinser	2005-2011
Geno Bagnuolo, Student Trustee	2008

Northeastern Illinois University

Walter W. Dudycz, Chair	2004-2009
Jin Lee, Vice Chair	2005-2009
Carlos Azcoitia	2006-2011
Carole Balzekas	2001-2007
Grace G. Dawson	2007-2011
Omar Duque	2007-2011
Edward G. Dykla	1996-2007
Eduardo Arabu, Student Trustee	2008-2009

Northern Illinois University

Cherilyn G. Murer, Chair	Term Expires Jan. 2011
Mark J. Strauss, Vice Chair	Term Expires Jan. 2011
Myron E. Siegel, Secretary	Term Expires Jan. 2011
Barbara Giorgi Vella, 4th Member of Executive Committee	Term Expires Jan. 2011
Robert T. Boey	Term Expires Jan. 2013
John R. Butler	Term Expires Jan. 2013
Manuel Sanchez	Term Expires Jan. 2007
DuJuan Smith, Student Trustee	Term Expires June 2009

Southern Illinois University

Roger Tedrick, Chair	2004-2009
Ed Hightower, Vice Chair	2001-2013
John Simmons, Secretary	2004-2013
Keith R. Sanders	2004-2013
Stephen Wigginton	2005-2011
Marquita Wiley	2005-2009
Demetrous White, Student Trustee, SIUC	2009
Amber Suggs, Student Trustee, SIUE	2009

University of Illinois

Lawrence C. Eppley, Chair	2007-2013
Devon C. Bruce	2003-2009
Frances G. Carroll	2005-2011
David V. Dorris	2005-2011
James D. Montgomery, Sr.	2007-2013
Kenneth D. Schmidt	2005-2011
Niranjan S. Shah	2003-2009
Robert Y. Sperling	2003-2009
Robert F. Vickrey	2007-2013
Chime O. Asonye, Student Representative, UIUC	2007-2008
Faizan S. Shakeel, Student Representative, UIC	2007-2008
Sarah M. Doyle, Student Representative, UIS	2007-2008

Western Illinois University

Steven L. Nelson, Chair	2006-2013
J. Michael Houston, Vice Chair	1997-2013
Donald W. Giffin, Secretary	2006-2007
Carolyn J. Ehlert	1998-2007
William L. Epperly	2004-2011
Blake E. Antonides, Student Trustee	2008-2009

BACKGROUND

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

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

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

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

These reports are available from:

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

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