NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: Moody's: Aa3
S&P: AA
Fitch: AA
See "THE OFFERING-RATINGS" herein

In the opinion of Katten Muchin Rosenman LLP, Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Bonds will not be includable in gross income for federal income tax purposes. The Bonds are not "private activity bonds" and the interest thereon is not required to be included as an item of tax preference for purposes of computing individual or corporate "alternative minimum taxable income." However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Bonds is not exempt from Illinois income taxes. (See "THE OFFERING-TAX MATTERS" regarding a description of other tax considerations, and "APPENDIX B – PROPOSED FORM OF OPINION OF BOND COUNSEL".)

$325,000,000
STATE OF ILLINOIS
GENERAL OBLIGATION BONDS
Series of January 2006

Dated: Date of Delivery **Due:** January 1, as shown herein

This Official Statement contains information relating to the State of Illinois (the "*State*") and the State's General Obligation Bonds, Series of January 2006 (the "*Bonds*"). The Bonds will be issued only as fully registered book-entry bonds in denominations of $5,000 or any integral thereof. The Bonds, when issued, will be registered under a global book-entry system operated by Cede & Co., as a nominee of The Depository Trust Company ("*DTC*"), New York, New York. See "APPENDIX C – GLOBAL BOOK-ENTRY SYSTEM." The Bonds will bear interest at the rates shown on the inside cover of this Official Statement. Interest on the Bonds will be payable January 1 and July 1 of each year, commencing July 1, 2006. Details of payment of the Bonds are described herein.

The Bonds are subject to redemption prior to maturity as described in this Official Statement under the caption "THE OFFERING - REDEMPTION."

The Bonds are direct, general obligations of the State, secured by a pledge of its full faith and credit. The Bonds are issued under the General Obligation Bond Act of the State of Illinois, as amended, to finance various capital projects and pay the cost of issuance of the Bonds.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Katten Muchin Rosenman LLP, Chicago, Illinois, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Burris, Wright, Slaughter & Tom, LLC, Chicago, Illinois. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about January 18, 2006.

Citigroup **Popular Securities**

Cabrera Capital Markets Inc. **Melvin Securities L.L.C.**

M. R. Beal & Company **SBK-Brooks Investment Corp.**

The date of this Official Statement is January 10, 2006

MATURITY SCHEDULE

$325,000,000 General Obligation Bonds, Series of January 2006
MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS
$325,000,000 Serial Bonds

MATURITY (JANUARY 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	PRICE	CUSIP
2007	$13,000,000	5.00%	3.25%	101.627	452151XF5
2008	13,000,000	5.00%	3.27%	103.245	452151XG3
2009	13,000,000	5.00%	3.33%	104.657	452151XH1
2010	13,000,000	5.00%	3.43%	105.755	452151XJ7
2011	13,000,000	5.00%	3.51%	106.718	452151XK4
2012	13,000,000	5.00%	3.60%	107.439	452151XL2
2013	13,000,000	5.00%	3.69%	107.967	452151XM0
2014	13,000,000	5.00%	3.81%	108.096	452151XN8
2015	13,000,000	5.00%	3.88%	108.400	452151XP3
2016	13,000,000	5.00%	3.95%	108.569	452151XQ1
2017	13,000,000	5.00%	4.01%	108.056 *	452151XR9
2018	13,000,000	5.00%	4.06%	107.631 *	452151XS7
2019	13,000,000	5.00%	4.11%	107.208 *	452151XT5
2020	13,000,000	5.00%	4.16%	106.786 *	452151XU2
2021	13,000,000	5.00%	4.19%	106.534 *	452151XV0
2022	13,000,000	5.00%	4.22%	106.283 *	452151XW8
2023	13,000,000	5.00%	4.25%	106.033 *	452151XX6
2024	13,000,000	5.00%	4.28%	105.783 *	452151XY4
2025	13,000,000	5.00%	4.30%	105.617 *	452151XZ1
2026	13,000,000	5.00%	4.33%	105.368 *	452151YA5
2027	13,000,000	5.00%	4.36%	105.120 *	452151YB3
2028	13,000,000	5.50%	4.33%	116.467	452151YC1
2029	13,000,000	5.50%	4.34%	116.749	452151YD9
2030	13,000,000	5.50%	4.35%	117.003	452151YE7
2031	13,000,000	5.50%	4.36%	117.231	452151YF4

*These maturities have been priced to call at par.

STATE OF ILLINOIS

Rod R. Blagojevich, ***Governor***

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

PREFACE

No dealer, broker, salesperson, or other person has been authorized by the State of Illinois or the Underwriters to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the State. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion set forth herein have been furnished by the State and include information from other sources which the State believes to be reliable. Such information and expressions of opinion are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change since the date thereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

In making an investment decision, investors must rely on their own examination of the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

References in this Official Statement to statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. This Official Statement is submitted in connection with the sale of the bonds referred to herein and may not be reproduced or used, in whole or in part for any other purposes.

FORWARD-LOOKING STATEMENTS

This Official Statement contains disclosures which contain "*forward-looking statements*." Forward-looking statements include all statements that do not relate solely to historical or current fact, and can be identified by use of words like "may," "believe," "will," "expect," "project," "estimate," "anticipate," "plan," or "continue." These forward-looking statements are based on the current plans and expectations of the State and are subject to a number of known and unknown uncertainties and risks, many of which are beyond its control, that could significantly affect current plans and expectations and the State's future financial position including but not limited to changes in general economic conditions, demographic trends and federal programs which may affect the transfer of funds from the federal government to the State. As a consequence, current plans, anticipated actions and future financial positions may differ from those expressed in any forward-looking statements made by the State herein. Investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in the Official Statement.

For further information on this offering, please contact David Abel (217) 782-1553 of the Governor's Office of Management and Budget, Springfield, Illinois or Lewis Greenbaum, (312) 902-5418, of Katten Muchin Rosenman LLP, Chicago, Illinois.

$325,000,000
STATE OF ILLINOIS
GENERAL OBLIGATION BONDS
SERIES OF JANUARY 2006

INTRODUCTION

This introduction contains only a brief summary of certain terms of the Bonds being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Illinois Constitution and laws of the State of Illinois and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.

The purpose of this Official Statement (which includes the cover page and the Appendices) is to set forth certain information concerning the State of Illinois (the *"State")* and the State's $325,000,000 aggregate principal amount of General Obligation Bonds, Series of January 2006 (the *"Bonds"*). The issuance will consist of aggregate principal amounts and authorizations in the approximate amounts as follows:

$158,000,000	for Capital Facilities purposes authorized by Section 3 of the General Obligation Bond Act of the State, as amended (30 ILCS 330/1 et seq.) (the "*Bond Act"*);
$21,000,000	for Transportation A-Highway purposes authorized by Section 4(a) of the Bond Act;
$44,000,000	for Transportation B-Mass Transit and Public Airport Facilities purposes authorized by Sections 4(b) and 4(c) of the Bond Act;
$99,000,000	for School Construction purposes authorized by Section 5 of the Bond Act; and
$3,000,000	for Coal and Energy Development purposes authorized by Section 7 of the Bond Act.

Illinois is a sovereign state of the United States and issuer of debt securities. The State's powers and functions are subject to the Illinois Constitution of 1970 (the *"Illinois Constitution"*) and to laws adopted by the Illinois General Assembly (the *"General Assembly"),* limited only by federal law and jurisdiction. See "STATE OF ILLINOIS ."

The State has diversified economic strengths. Measured by per capita personal income, the State ranks fourth among the ten most populous states and tenth among all states. Illinois ranks seventh among all states in total cash receipts from crops, second in agricultural exports and ranks among the top states in several measures of manufacturing activity. Chicago, the largest city in the State, is the third most populous city in the United States and serves as the transportation center of the midwestern U.S. and the headquarters of many of the nation's major corporations and financial institutions. See "STATE OF ILLINOIS," and "APPENDIX A – Economic DATA" for further information regarding the State.

SECURITY

The Bonds are direct, general obligations of the State, and, pursuant to the Bond Act, the full faith and credit of the State is pledged for the punctual payment of interest on all GO Bonds issued under such act, including the Bonds, as it comes due and for the punctual payment of the principal thereof at maturity, or any earlier redemption date, and premium, if any. These provisions cannot be repealed until all GO Bonds issued under the Bond Act are paid in full as to both principal and interest. See "THE OFFERING – SECURITY."

TAX MATTERS

In the opinion of Katten Muchin Rosenman LLP, Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes. Interest on the Bonds is not exempt from present State income taxes. See "THE OFFERING – TAX MATTERS" and "APPENDIX B – Proposed Form of Opinion of Bond Counsel."

AUTHORITY FOR ISSUANCE

The Bond Act authorizes the State to issue and sell GO Bonds, including the Bonds. The Bond Act consolidated the authorization contained in prior bond acts into a single act. The Bonds constitute an installment of non-refunding multi-purpose GO Bonds under the Bond Act.

The Bond Act authorizes the State to issue and sell multi-purpose GO Bonds in the aggregate amount of $26,927,149,369, excluding refunding bonds referred to below, for the purposes and in the amounts listed below:

$7,320,235,369	For capital facilities within the State;
$3,432,129,000	For use by the Illinois Department of Transportation, Roads and Bridges;
$1,881,270,000	For use by the Illinois Department of Transportation, Public Transportation, Air and Rail;
$3,150,000,000	For grants to school districts;
$480,315,000	For anti-pollution purposes;
$663,200,000	For coal and energy development purposes; and
$10,000,000,000	GO Pension Funding Bonds for the purpose of funding or reimbursing a portion of the State's contributions to State retirement systems. See "PENSION SYSTEMS."

The Bond Act provides that after issuance of the Bonds, the Governor of the State (the *"Governor")* and the Director (the *"Director")* of the Governor's Office of Management and Budget of the State (the *"GOMB")* may provide for the reallocations of unspent proceeds to any of the purposes described above (other than refunding purposes). The State may, from time-to-time in the future, make such reallocation of unspent proceeds of the Bonds, so long as such reallocations do not adversely affect the tax-exempt status of the Bonds.

The Bond Act authorizes the issuance of GO Bonds in the amount of up to $2,839,025,000, at any time and from time-to-time outstanding, for the purpose of refunding any outstanding GO Bonds. See "INDEBTEDNESS – GENERAL OBLIGATION BONDS" for a description of the authorized and previously issued GO Bonds under the Bond Act.

The State is also authorized to issue additional forms of debt, including short-term certificates. See "INDEBTEDNESS" herein. Short-term certificates are authorized pursuant to the Illinois Constitution and the Short Term Borrowing Act of the State, as amended (30 ILCS 340 *et seq.)* (the *"Short Term Borrowing Act").* The Short Term Borrowing Act constitutes an appropriation out of any money in the State Treasury of an amount sufficient to pay the principal and interest on such short-term certificates. See "INDEBTEDNESS – SHORT-TERM DEBT" for a further discussion of the authorized, previously issued and currently outstanding short-term certificates under the Short Term Borrowing Act.

Public Act 93-0839 (effective July 30, 2004) amends the Bond Act and places certain restrictions on the issuance of GO Bonds, including the following: (i) at least 25% of the GO Bonds issued within a fiscal year must be sold pursuant to notice of sale and public bid; (ii) GO Bonds must be issued with principal or mandatory redemption amounts in equal amounts in each fiscal year beginning the year following issuance and for a term not to exceed 25 years, with the first maturity issued occurring within the fiscal year in which the GO Bonds are issued or within the next succeeding fiscal year; and (iii) GO Bonds may not be issued if, after their issuance, in the next State fiscal year, the amount of debt service on all then-outstanding GO Bonds exceeds 7% of the General Funds and Road Fund appropriations for the fiscal year immediately prior to the fiscal year of the issuance (the hereinafter defined Treasurer and Comptroller, acting together, can waive this requirement). Public Act 93-0839 also requires the GOMB to comply with the Business Enterprise for Minorities, Females, and Persons with Disabilities Act (30 ILCS 575, *et seq.)* in respect to procuring services for the issuance of GO Bonds. Finally, no GO Bonds can be issued for refunding purposes unless (i) the refunding produces a net present value savings of at least 3% of the bonds being refunded and (ii) the maturities of the refunding bonds do not extend beyond the maturities of the bonds they refund.

THE OFFERING

DESCRIPTION OF THE BONDS

The Bonds will bear interest from their issue date and will mature on January 1 of each of the years and in the amounts set forth on the inside front cover page of this Official Statement. Interest on the Bonds is payable semiannually on the first days of January and July of each year, beginning on July 1, 2006, at the rates per annum set forth on the inside front cover page of this Official Statement.

The Bonds will be issued in denominations of $5,000 principal amount or any integral multiple thereof, and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as securities depository of the Bonds. Principal of, premium, if any, and interest on the Bonds will be paid by the Treasurer of the State (the "*Treasurer*"), as bond registrar and paying agent (the "*Bond Registrar*"), to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. (See APPENDIX C – GLOBAL BOOK-ENTRY SYSTEM).

MATURITY SCHEDULE

The maturity schedule for the Bonds is as follows:

MATURITY AMOUNT	JANUARY 1	MATURITY AMOUNT	JANUARY 1
$13,000,000	2007	13,000,000	2020
13,000,000	2008	13,000,000	2021
13,000,000	2009	13,000,000	2022
13,000,000	2010	13,000,000	2023
13,000,000	2011	13,000,000	2024
13,000,000	2012	13,000,000	2025
13,000,000	2013	13,000,000	2026
13,000,000	2014	13,000,000	2027
13,000,000	2015	13,000,000	2028
13,000,000	2016	13,000,000	2029
13,000,000	2017	13,000,000	2030
13,000,000	2018	13,000,000	2031
13,000,000	2019		

REDEMPTION

Optional Redemption

The Bonds maturing in the years 2017 to 2027, both inclusive, are subject to redemption prior to maturity at the option of the State as a whole, or in part, in integral multiples of $5,000, from such maturities as may be selected by the State (less than all of the Bonds of a single maturity to be selected by lot by the Bond Registrar as described under "Redemption Procedure" below), on January 1, 2016, and on any date thereafter, at the redemption price of par plus accrued interest to the redemption date.

Redemption Procedure

Bonds will be redeemed only in the principal amount of $5,000 and integral multiples thereof. Notice of any redemption of Bonds will be sent by first-class mail not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of each Bond (or portion thereof) to be redeemed at the address shown on the registration books of the State maintained by the Bond Registrar, or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

For purposes of any redemption of less than all of the outstanding Bonds, the particular Bonds or portions of Bonds to be redeemed will be selected by the Bond Registrar from the outstanding Bonds subject to such redemption by lot using such method as the Bond Registrar deems fair and appropriate. So long as DTC or its nominee is the registered owner of the Bonds, if fewer than all of the Bonds of any maturity are called for redemption, DTC will determine the portions of such maturity to be redeemed as described in "APPENDIX C – GLOBAL BOOK-ENTRY SYSTEM."

APPLICATION OF BOND PROCEEDS

The Bond proceeds will be applied approximately as set forth below:

Authorized Projects	$349,908,483.50
Costs of Issuance	308,000.00
Underwriters' Discount	827,976.50
Total	$351,044,460.00

SECURITY

Direct, General Obligations

The Bonds, together with all other GO Bonds, are direct, general obligations of the State, and by law the full faith and credit of the State is pledged for the punctual payment of interest on the Bonds as the interest becomes due and for the punctual payment of the principal thereof at maturity, or any earlier redemption date, and premium, if any. The Bond Act provides that the sections of the Bond Act making such pledge may not be repealed until all GO Bonds issued under the Bond Act, including the Bonds, have been paid in full.

In order to pay its general fund obligations, including without limitation, principal and interest on the Bonds, the State currently imposes various taxes and fees. See "STATE FINANCIAL INFORMATION – TAX STRUCTURE."

State Funding Payments

To provide for the manner of repayment of the Bonds, the Bond Act requires the Governor to include an appropriation in each annual State Budget of moneys in such amount as will be necessary and sufficient, for the period covered by such budget, to pay the interest, as it becomes payable, on all outstanding GO Bonds and to pay and discharge the principal and premium, if any, of such GO Bonds falling due during such period. The Bond Act also creates a separate fund in the State Treasury called the "General Obligation Bond Retirement and Interest Fund" (the "*GOBRI Fund*") to be used for such repayment. The Bond Act requires the General Assembly to annually make appropriations to pay the principal of, interest on and premium, if any, on outstanding Bonds from the GOBRI Fund.

If for any reason there are insufficient funds in the General Revenue Fund, or with respect to bonds issued for Transportation A-Highway purposes (or bonds issued to refund bonds issued for such purposes) in the Road Fund, to make transfers to the GOBRI Fund as required by the Bond Act, or if for any reason the General Assembly fails to make appropriations sufficient to pay the principal of, interest on and premium, if any, on the Bonds, when due, the Bond Act constitutes an irrevocable and continuing appropriation of all amounts necessary for that purpose, and the irrevocable and continuing authority for and direction to the Treasurer and the Comptroller of the State (the "*Comptroller*") to make the necessary transfers, as directed by the Governor, out of and disbursements from the revenues and funds of the State.

Upon delivery of the Bonds, the Bond Act requires the Comptroller to compute and certify to the Treasurer the total amount of principal of and interest on the Bonds that will be payable in order to retire such Bonds and the amount of principal of and interest on such Bonds that will be payable on each payment date during the then current and each succeeding fiscal year.

On or before the last day of each month, the Bond Act requires the Treasurer and Comptroller to transfer from the General Revenue Fund, or with respect to bonds issued for Transportation A-Highway purposes (or bonds issued to refund bonds issued for such purposes) the Road Fund, to the GOBRI Fund an amount sufficient to pay the aggregate of the principal of and interest on such Bonds payable by their terms on the next payment date divided by the number of full calendar months between the date of the Bonds and the first such payment date, and thereafter, divided by the number of months between each succeeding payment date after the first payment date. This transfer of moneys is not required if moneys in the GOBRI Fund are more than the amount otherwise to be transferred as hereinabove provided, and if the Governor or his authorized representative notifies the Treasurer and Comptroller of such fact in writing.

The moneys in the GOBRI Fund are used only for the payment of the principal of and interest on all GO Bonds issued under the Bond Act and for the payment of the principal of and interest on short-term cash flow obligations issued from time to time as described under the heading "INDEBTEDNESS – SHORT-TERM DEBT." However, moneys deposited into the GOBRI Fund to provide for the payment of short-term debt certificates are excluded from any calculation used in determining the ability of the State to suspend transfers to the GOBRI Fund for the payment of the Bonds as described in the preceding paragraph.

DEPOSIT OF PROCEEDS AND INVESTMENT OF FUNDS

The proceeds of the sale of GO Bonds are deposited into the following bond funds in the State Treasury according to the use and purpose for which they were sold: the Capital Development Fund; the Transportation Bond, Series A Fund; the Transportation Bond, Series B Fund; the School Construction Fund; the Anti-Pollution Fund; and the Coal Development Fund (collectively, the "*Bond Funds*").

The Treasurer may, with the Governor's approval, invest and reinvest any money in the Bond Funds which is not needed for current expenditures due or about to become due from the Bond Funds, as permitted in the Deposit of State Moneys Act of the State, as amended, and in the Public Funds Investment Act of the State, as amended. All earnings from investment of moneys in the Transportation Bond, Series A Fund will be paid into the Road Fund and all earnings from investment of moneys in all other Bond Funds will be paid into the General Revenue Fund.

The Treasurer may, with the Governor's approval, invest and reinvest any money in the GOBRI Fund which is not needed for current expenditures due or about to become due from such Fund in securities constituting direct obligations of the United States Government, or obligations the principal of and interest on which are guaranteed by the United States Government, or certificates of deposit of any state or national bank or savings and loan association. For amounts not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or their lawful successors, as security the Treasurer is required to accept securities constituting direct obligations of the United States Government, or obligations the principal of and interest on which are guaranteed by the United States Government. Earnings received from such investments will be paid into the GOBRI Fund.

RATINGS

Moody's Investors Service, Inc. ("*Moody's*") has assigned a rating of "Aa3" to the Bonds, Standard & Poor's Rating Services ("*S&P*") has assigned a rating of "AA" to the Bonds and Fitch Ratings ("*Fitch*") has assigned a rating of "AA" to the Bonds. The S&P rating outlook was changed to "negative" in May 2003. In August 2005 the S&P rating was affirmed and "negative" rating outlook was changed back to stable. S&P's most recent reports on the State's long term debt ratings are available from S&P.

Each of these ratings reflects the views of the respective rating agency and an explanation of the significance of such rating may be obtained only from the respective rating agency. As part of the State's application for the ratings on the Bonds, certain information and materials, some of which are not contained herein, have been supplied to Moody's, S&P and Fitch. None of the ratings are a "market" rating or a recommendation to buy, sell or hold the Bonds, and the ratings and the Bonds should be evaluated independently.

The ratings are subject to change or withdrawal at any time and any such change or withdrawal may affect the market price or marketability of the Bonds. The State will provide appropriate periodic credit information necessary for maintaining ratings on the Bonds to the rating agencies. Except as may be required by the Undertaking described below under the heading "CONTINUING DISCLOSURE," the State undertakes no responsibility to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

LEGAL OPINIONS

Legal matters incident to the authorization, issuance, sale and delivery of the Bonds by the State are subject to the unqualified approving opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, Bond Counsel. The form of the approving opinion expected to be delivered by Bond Counsel is contained in APPENDIX B – PROPOSED FORM OF OPINION OF BOND COUNSEL hereto. Certain legal matters will be passed upon for the Underwriters by their counsel Burris, Wright, Slaughter & Tom, LLC, Chicago, Illinois.

TAX MATTERS

Summary of Bond Counsel Opinion

Bond Counsel is of the opinion that under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "*Code*"), Bond Counsel is of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Bonds is not exempt from Illinois income taxes.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds.

Bonds Purchased at a Premium or at a Discount

The difference (if any) between the initial price at which a substantial amount of each maturity of the Bonds is sold to the public (the "*Offering Price*") and the principal amount payable at maturity of such Bonds is given special treatment for Federal income tax purposes. If the Offering Price is higher than the maturity value of a Bond, the difference between the two is known as "bond premium;" if the Offering Price is lower than the maturity value of a Bond, the difference between the two is known as "original issue discount."

Bond premium and original issue discount are amortized over the term of a Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned during such period. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Bond for Federal income tax purposes, to the same extent and with the same limitations as current interest.

Owners who purchase Bonds at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the Bonds. In addition, owners of Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Bonds; under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for Federal income tax purposes.

Exclusion from Gross Income: Requirements

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of Bond proceeds that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

Investment Restrictions. Except during certain “temporary periods,” proceeds of the Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a “minor portion”) may generally not be invested in investments having a yield that is “materially higher” than the yield on the Bonds.

Rebate of Arbitrage Profit. Unless the Bonds qualify for an exemption, earnings from the investment of the “gross proceeds” of the Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term “gross proceeds” includes the original proceeds of the Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Bonds.

Covenants to Comply

The State has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Risks of Non-Compliance

In the event that the State fails to comply with the requirements of the Code, interest on the Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the Bond Sale Order requires neither acceleration of payment of principal of, or interest on, the Bonds nor payment of any additional interest or penalties to the owners of the Bonds.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Bonds that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE BONDS.

Cost of Carry. Owners of the Bonds will generally be denied a deduction for otherwise deductible interest on any debt which is treated for federal income tax purposes as incurred or continued to purchase or carry the Bonds. As discussed below, special allocation rules apply to financial institutions.

Corporate Owners. Interest on the Bonds is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Bonds is taken into account not only in computing the corporate alternative minimum tax but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

Individual Owners. Receipt of interest on the Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

Certain Blue Cross or Blue Shield Organizations. Receipt of interest on the Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

Property or Casualty Insurance Companies. Receipt of interest on the Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

Financial Institutions. Financial institutions may be denied a deduction for their otherwise allowable interest expense in an amount determined by reference, in part, to their adjusted basis in the Bonds.

Foreign Personal Holding Company Income. A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Bonds held by such a company is properly allocable to the shareholder.

The opinion of Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Bonds are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Bonds.

CERTIFICATE OF THE DIRECTOR OF THE GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

The Director will provide to the Underwriters at the time of delivery of the Bonds a certificate confirming that, to the best of his knowledge, the Official Statement was, as of its date, and is, at the time of such delivery, true and correct in all material respects and did not and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE

The State will enter into a Continuing Disclosure Undertaking (the "*Undertaking*") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "*Rule*") adopted by the Securities and Exchange Commission (the "*SEC*") under the Securities Exchange Act of 1934, as amended (the "*1934 Act*"). See "APPENDIX D – CONTINUING DISCLOSURE UNDERTAKING" for a description of the information to be provided annually, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies.

The State is in compliance with each and every undertaking previously entered into by it pursuant to the Rule. A failure by the State to comply with the Undertaking will not constitute a default under the Bond Sale Order, adopted by the Governor and the Director authorizing the issuance of the Bonds (the "*Bond Sale Order*"), and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See "APPENDIX D – CONTINUING DISCLOSURE UNDERTAKING - CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION." A failure by the State to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

LITIGATION

There is no litigation pending, or to the knowledge of the State threatened, in any way questioning the title of the officials of the State or any of the proceedings of the State incident to the authorization and issuance of the Bonds, or in any way concerning the validity or enforceability of the Bonds, or the manner of payment thereof or the appropriation for the payment thereof.

The following describes certain pending lawsuits in Illinois.

In October 1997, the Illinois Supreme Court ruled that the insurance privilege tax, as it existed in Illinois law between 1993 and 1997, was unconstitutional. The cases challenging this tax were consolidated and remanded to the Circuit Courts of Cook County and Sangamon County for a determination of damages. In October 2002, the majority of the pending cases, both in terms of number of cases and dollar value, were dismissed by the Cook County and Sangamon County Courts pursuant to a settlement agreement between the parties. The settlement agreement provides for the release of $57.9 million from the Protest Fund, which has been transferred to the State's general funds. A total of $20.2 million was paid out of the Protest Fund in settlement to certain plaintiffs. See "STATE FINANCIAL INFORMATION – MONEY PAID TO THE STATE UNDER PROTEST." There remains approximately $10.4 million in the Protest Fund from insurance privilege taxes. While the State cannot predict the exact amount of further settlements or damages that may be awarded, the State expects that such settlements or awards would not materially adversely affect the security for the Bonds or the State's ability to pay debt service on the Bonds.

In November 2004, the Circuit Court of Cook County ruled that the imposition of a surcharge on workers' compensation insurance policies coupled with a mechanism to transfer a portion of the proceeds from the surcharge to the State's general funds as enacted by Public Act 93-32 was unconstitutional. As a result, the Cook County Court escrowed $11.5 million of proceeds pending final disposition of the case. As of October 2005, approximately $33 million remained in escrow. The State filed a direct appeal of the Cook County Court's ruling to the Illinois Supreme Court. The Court heard argument on the matter in May 2005 and on October 6, 2005 released its opinion reversing the circuit court's order granting plaintiff summary judgment, affirming the court's order denying defendants' motion to dismiss and remanding the matter to the circuit court for further proceedings. On October 25, 2005 pursuant to the State's motion, the Cook County Court agreed to release approximately $1.4 million from the escrow to fund operations of the Illinois Workers' Compensation Commission through November 2005. The court further agreed to release upon the State's petition amounts sufficient to fund Commission operations on a monthly basis in the future. Since that time, the Commission has requested and obtained the release of funds on a monthly basis, receiving amounts sufficient to fund its on-going operations.

In a separate action brought in the Circuit Court of Sangamon County in December 2004, a group of trade associations representing certain depository institutions challenged the constitutionality of similar fee imposition and transfer mechanisms applicable to their industries. On March 11, 2005, the Sangamon County Court issued a preliminary injunction barring further transfers from the funds before it as this case continues to be litigated. Other industry associations and interest groups have filed a number of similar actions in Cook and Sangamon Counties challenging the constitutionality of the imposition of similar fees and the application of transfer mechanisms to their industries and interests. One such matter, filed by an association of aggregate producers, which challenged the imposition of fees for certain environmental permits was dismissed on the State's motion by the Circuit Court of Sangamon County. In May 2005, the Appellate Court of Illinois, Fourth Circuit, upheld the trial court's dismissal, rejecting the plaintiff's constitutional challenges to the fees and transfers. In December 2005, the State obtained release of approximately $1.1 million which was held in escrow while the litigation was pending. The State anticipates that it will move to dispose, in whole or substantial part, of several similar matters pending in Cook and Sangamon Counties based upon the Illinois Supreme Court's and Appellate Court's recent opinions.

On March 9, 2005, the Treasurer's Office indicated by letter that it was suspending certain fund transfers to the State's general funds arising from the transfer mechanisms described in the immediately preceding paragraph until a judicial determination of the legality of such transfers.

The Illinois Comptroller continues to process the transfers pursuant to Illinois law.

While the State cannot predict the ultimate outcome of the workers' compensation appeal, the depository institutions case, or the other similar matters described above, the State is pursuing all vigorously, and expects that even adverse decisions would not materially adversely affect the security for the Bonds or the State's ability to pay debt service on the Bonds.

UNDERWRITING

The group of underwriters shown on the cover page of this Official Statement (the "*Underwriters*"), on behalf of which Citigroup Global Markets Inc. is acting as Senior Managing Underwriter, has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds at a price of $350,216,483.50 (equal to the principal amount of $325,000,000 plus $26,044,460.00 of original issue premium and less $827,976.50 of Underwriters' discount). The State has been advised by the Underwriters that the Bonds may be offered and sold to certain dealers and others at prices lower than the initial public offering prices and the public offering prices may be changed from time to time by the Underwriters. Any obligations of the Underwriters are the sole obligations of the Underwriters and do not create any obligations on the part of any affiliate of the Underwriters, including any affiliated banks.

STATE OF ILLINOIS

ORGANIZATION

The State is formally organized according to executive, legislative and judicial functions. The Governor is the chief executive of the State and is generally responsible for the administration of the government exclusive of the offices of other constitutionally-elected officials. The other elected officials of the executive branch include the Lieutenant Governor, the Attorney General, the Secretary of State, the Comptroller and the Treasurer.

The Illinois Constitution provides that all elected officials of the Executive Branch of the State Government hold office for four-year terms. Pursuant to the Illinois Constitution, these officials were elected at a general election in November 2002 and took office January 13, 2003.

The legislative power of the State is vested in the General Assembly, which is composed of the Senate and the House of Representatives. Both the Senate and the House meet in annual sessions to enact, amend or repeal laws and to adopt appropriation bills.

The judicial branch is composed of the Supreme Court, the Appellate Courts and the Circuit Courts.

CONSTITUTIONAL PROVISIONS RELATING TO REVENUES AND EXPENDITURES

Article VIII, Section 2 of the Illinois Constitution requires the Governor to prepare and submit to the General Assembly, at a time prescribed by law, a State budget for the ensuing fiscal year. Proposed expenditures may not exceed funds estimated to be available for the fiscal year as shown in the budget. Article VIII also requires the General Assembly to review the proposed budget and make appropriations for all expenditures of public funds by the State, which appropriations for a fiscal year may not exceed funds estimated by the General Assembly to be available during that fiscal year.

The Illinois Constitution provides that the Governor may reduce or veto any item of appropriations in a bill passed and presented to him by the legislature. Portions of a bill not reduced or vetoed become law. An item vetoed is returned to the house in which it originated and may become law upon approval of three-fifths of the members of each house. An item reduced in amount may be restored to the original amount upon approval of a majority of the members elected to each house.

CONSTITUTIONAL PROVISIONS RELATING TO SHORT-TERM BORROWING

Section 9(c) of Article IX of the Illinois Constitution, pursuant to which the Act was enacted, states:

(c) State debt in anticipation of revenues to be collected in a fiscal year may be incurred by law in an amount not exceeding 5% of the State's appropriations for that fiscal year. Such debt shall be retired from the revenues realized in that fiscal year.

The General Obligation Certificates, Series November of 2005 were issued pursuant to the provisions of the Act authorized by Section 9(c) of Article IX of the Illinois Constitution as set forth above.

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

The Governor's Office of Management and Budget ("*GOMB*") was created in 2003 by the Governor's Office of Management and Budget Act (20 ILCS 3005). GOMB's predecessor in managing State debt was the Bureau of the Budget, created in 1969 by an act of the Illinois General Assembly. The GOMB is headed by the Director, who is appointed by the Governor. Besides assisting the Governor in developing the budget, the GOMB provides financial and other information regarding the State to securities investors, Nationally Recognized Municipal Securities Information Repositories (each, a "*NRMSIR*") and others as required by federal securities rules. See "THE OFFERING – CONTINUING DISCLOSURE" AND "APPENDIX D – CONTINUING DISCLOSURE UNDERTAKING."

STATE FINANCIAL INFORMATION

The tables that follow present pertinent financial information about the State. Data are for the State's fiscal years which run from July 1 through June 30. Tables, 1, 1-A, 2, and 6 of this section, unless otherwise noted, are based on information contained in detailed annual reports or records of the Comptroller. The 2004 Consolidated Annual Financial Report (CAFR) may be found at: www.apps.ioc.state.il.us/ioc-pdf/CAFR_2004.pdf. Tables 3, 4 and 5 are based on records of the GOMB, though Tables 4 and 5 also include information drawn from various reports or records of the Comptroller. For purposes of Tables 1 and 2 of this section, expenditures are deemed to be recognized when payment warrants are issued.

TABLE 1
RECEIPTS AND DISBURSEMENTS[1], GENERAL FUNDS[2]
FISCAL YEARS 2001-2005
($ IN MILLIONS)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Available Balance, Beginning	**1,517**	**1,126**	**256**	**317**	**182**
Receipts					
State Revenues					
Income Tax	9,032	8,274	8,079	8,208	9,151
Sales Tax	5,958	6,051	6,059	6,331	6,595
Public Utility Tax	1,146	1,104	1,006	1,079	1,056
Cigarette Tax	400	400	400	400	450
Inheritance Tax	361	329	237	222	310
Liquor Gallonage Tax	124	122	123	127	147
Insurance Tax & Fees	246	272	313	362	342
Corporate Franchise Tax	146	159	142	163	181
Investment Income	274	135	66	55	73
Intergovernmental Transfers	245	245	355	428	433
Other	441	550	383	516	652
Total, State Revenues	18,373	17,642	17,163	17,891	19,390
Federal Revenues					
Welfare & Social Services[3]	4,320	4,258	3,940	5,189	4,257
Transfers In					
From Other State Funds[4,5]	1,413	1,479	1,983	3,742	2,513
Cash Flow Transfer - Hospital Provider Fund [6]	-	-	-	-	3
Total Revenues	24,106	23,379	23,086	26,823	26,163
Short Term Borrowing	-	-	1,675	-	765
Total Cash Receipts[4]	**24,106**	**23,379**	**24,761**	**26,823**	**26,928**
Cash Disbursements					
Expenditures for Appropriations (See Table 1-A)	22,280	22,089	21,959	23,448	22,187
Transfers Out					
Short Term Borrowing[7]	-	-	710	1,417	769
Debt Service Funds[8]	468	557	624	584	852
Other State Funds[4]	1,748	1,603	1,407	1,509	2,806
Total Cash Disbursements	**24,497**	**24,248**	**24,701**	**26,957**	**26,614**
Cash Balance, Ending[9]	**1,126**	**256**	**317**	**182**	**497**

[1] Based on information from the Office of the Comptroller

[2] General Funds include the General Revenue Fund, Common School Fund, General Revenue-Common School Special Account Fund and the Education Assistance Fund

[3] Federal Receipts excludes $86 million earned in FY 2003 that was not received until July 2003 do to a processing error.

[4] Excludes transfers to and from the Budget Stabilization Fund

[5] Fiscal Year 2004 Includes $1,498 million of Pension Bond Proceeds

[6] Transfers In reflects the net amount between $982 million received and the $979 million transferred out to the Hospital Provider Fund.

[7] The Short-term certificates issued on March 3, 2005 were fully retired by June 1, 2005.

[8] Reflects debt service on General Obligation Bonds.

[9] See the Litigation section regarding the June 30, 2005 Cash Balance

TABLE 1A
CASH EXPENDITURES BY CATEGORY[1]
FISCAL YEARS 2001-2005
($ IN MILLIONS)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Cash Expenditures					
Operations	6,631	6,939	6,561	6,357	6,347
Awards and Grants	15,592	15,867	15,468	16,236	16,184
Permanent Improvements	20	21	12	9	6
Refunds	42	38	28	23	14
Vouchers Payable Adjustment	1	(770)	(94)	871	(401)
Prior Year Adjustments	(6)	(5)	(15)	(48)	37
Total Expenditures for Appropriations	**22,280**	**22,089**	**21,959**	**23,448**	**22,187**

[1] Based on information from the Office of the Comptroller

TABLE 2
RECEIPTS AND DISBURSEMENTS[1] - ROAD FUND
FISCAL YEARS 2001-2005
($ IN MILLIONS)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Available Balance, Beginning	**590**	**843**	**839**	**337**	**151**
Receipts					
State Revenues					
Motor Vehicle & Licence Fees	620	613	567	653	585
Certificates of Title	143	148	145	148	155
Property Sales (City & County)	48	63	62	64	69
Miscellaneous	73	56	41	118	42
Total, State Revenues	885	880	815	983	851
Federal Revenues	906	834	718	887	868
Transfers In					
Motor Fuel Fund	320	318	364	332	337
Other Funds	-	-	-	-	-
Total Receipts (Revenues + Transfers In)	**2,110**	**2,033**	**1,897**	**2,202**	**2,056**
Disbursements					
Expenditures for Appropriations	1,665	1,827	2,138	2,028	1,611
Transfers Out					
Debt Service Funds[2]	192	211	225	227	249
Other State Funds	0	0	35	133	24
Total Transfers Out	192	211	260	360	273
Total Disbursements (Expenditures + Transfers Out)	**1,857**	**2,038**	**2,399**	**2,388**	**1,884**
Cash Balance, Ending	**843**	**839**	**337**	**151**	**323**

[1] Based on information from the Office of the Comptroller

[2] Reflects debt service on General Obligation Bonds

TABLE 3
GENERAL FUNDS APPROPRIATIONS[1]
FY 2005 VS. BUDGET FY 2006
($ IN MILLIONS)

Category	Forecast FY 05	Budget FY 06	$ Change	% Change
Elementary & Secondary Education	**5,809**	**6,133**	324	5.6%
Higher Education	**2,102**	**2,105**	3	0.1%
Public Aid	**6,927**	**7,411**	483	7.0%
Revenue	**133**	**134**	0	0.3%
Human Services	**3,820**	**3,842**	23	0.6%
Corrections	**1,208**	**1,163**	(45)	-3.7%
Children & Family Services	**781**	**810**	29	3.7%
Central Management Services	**115**	**96**	(19)	-16.5%
State Police	**173**	**177**	4	2.3%
Other Agencies	**2,796**	**2,519**	(277)	-9.9%
Governor's Savings Initiatives		(45)	(45)	
Governor's Severance Plan		-	-	
Budgeted Appropriations	**23,865**	**24,345**	**494**	**2.1%**
Unspent Appropriations (Salvage)	(1,302)	(490)	812	-62.4%
Net Appropriations (Spending)	**22,563**	**23,855**	**1,292**	**5.7%**

1 The FY 05 Unspent Appropriations includes $850 million of authorizations for Public Aid that lapsed. However, those resources were effectively utilized as the source of repayment for the $850 million Short Term Borrowing of June 2004 that was repaid in October 2004.

TABLE 4
GENERAL FUNDS CASH RECEIPTS
FY 2004 ACTUAL VS. FY 2005 BUDGET & ACTUAL
($ IN MILLIONS)

	FY 2004 Actual	FY 2005 Enacted	FY 2005 Actual	FY 2005 vs. 2004	Change Percent
Available Cash Balance – July 1	$317	$182	$182	($135)	-42.6%
Cash Receipts:					
State Sources, Cash Receipts:					
Net Individual Income Tax	7,272	8,406	7,979	707	9.7%
Net Corporate Income Tax	936	1,129	1,172	236	25.2%
Net Income Taxes	**8,208**	**9,535**	**9,151**	**943**	**11.5%**
Sales Taxes	**6,331**	**6,431**	**6,595**	**264**	**4.2%**
Other Sources:					
Public Utility Taxes	1,079	1,102	1,056	(23)	-2.1%
Cigarette Taxes	400	450	450	50	12.5%
Inheritance Tax (gross)	222	240	310	88	39.6%
Liquor Gallonage Taxes	127	147	147	20	15.7%
Insurance Tax and Fees	362	347	342	(20)	-5.5%
Corporation Franchise Tax & Fees	163	175	181	18	11.0%
Investment Income	55	45	73	18	32.7%
Cook County IGT	428	450	433	5	1.2%
Riverboat Gambling Taxes	133		152	19	14.3%
Other	474	769	500	26	5.5%
Total: Other State Sources	**3,443**	**3,725**	**3,644**	**201**	**5.8%**
Total: State Revenues	**17,982**	**19,691**	**19,390**	**1,408**	**7.8%**
Transfers In:					
Lottery Fund	570	578	614	44	7.7%
State Gaming Fund	530	653	547	17	3.2%
Pension Contribution Fund	1,395	-	-	(1,395)	-100.0%
Other Funds	1,157	1,154	1,352	195	16.9%
Total: State Transfers In	**3,652**	**2,385**	**2,513**	**(1,139)**	**-31.2%**
Total: State Sources	**21,634**	**22,076**	**21,903**	**269**	**1.2%**
Federal Sources					
Cash Receipts	5,189	4,688	4,257	(932)	-18.0%
Transfers In	-	-	-	-	NA
Total: Federal Sources	**5,189**	**4,688**	**4,257**	**(932)**	**-18.0%**
Total: Revenues and Transfers In	**26,823**	**26,764**	**26,160**	**(663)**	**-2.5%**
Short-Term Borrowing	0	765	765	765	NA
Transfer from Budget Stabilization Fund	226		276	50	22.1%
Cash Flow Transfer - Hospital Provider Fund	0		982	982	NA
Total: Cash Receipts	**$27,049**	**$27,529**	**$28,183**	**1,134**	**4.2%**

Source: Office of the Comptroller and GOMB

FISCAL YEAR 2005 OVERVIEW

The fiscal year 2005 results are presented in Tables 1 and 1A on a cash basis (receipts and disbursements) with comparative data for fiscal years 2001 through 2004 for the General Funds. Table 2 provides similar cash basis for the Road Fund. Table 3 provides a comparison of appropriations for fiscal year 2005 and budgeted fiscal year 2006 for the General Funds. Table 4 compares General Funds cash receipts for fiscal years 2004 and 2005.

Table 5 – the General Funds Budget Summary – presents operating results, budget basis fund balances and the accompanying changes in cash for fiscal years 2003 through 2005 as well as a comparison to the fiscal year 2006 adopted budget. Footnotes 1 and 2 of that table discuss the State budget law as well as the traditional budgeting basis (i.e, cash basis for revenues and accruals for expenditures) reflected in Table 5. Table 5 also provides comparative data on a modified accrual basis by including accrued revenues expected to be earned in one fiscal year but collected in the subsequent year, as well as a prior period adjustment to reflect the estimated budget basis fund balance on the modified accrual basis for each year (see footnotes 3 and 5 of Table 5).

The State's traditional budget basis results differ from the cash basis results by the change (increase or decrease) in the amount of accrued expenditures (increases or decreases in accounts payable for appropriations) from one fiscal year to the next. The modified accrual budget basis also reflects the change in the amount of accrued revenues (increases or decreases in Taxes Receivable) from one fiscal year to the next. Operating results and fund balances for the three different bases – cash basis, traditional budget basis and modified accrual budget basis – are all reflected in Table 5 and the accompanying footnotes. Finally, that table incorporates the change in General Funds cash from year to year as well as cash in the Budget Stabilization Fund. The resulting sum represents the Total Cash amount at June 30th of each fiscal year that was used for operating purposes by the State during that year.

FISCAL YEAR 2005 RESULTS

Operating results for fiscal year 2005 are currently estimated as a cash basis operating deficit of approximately $64 million. Final results will be published in the audited financial statements contained in the Fiscal Year 2005 Comprehensive Annual Financial Report (CAFR) of the State, as prepared by the Office of the Comptroller. Those results were not available at the time of this offering.

State Source Revenues totaled $19,390 million in fiscal year 2005, a $1,408 million or 7.8% increase over fiscal year 2004, as reported in Table 5. That increase was primarily related to the economically sensitive income and sales taxes and corresponded to the economic recovery experienced by the State beginning in the middle of fiscal year 2005. Inheritance taxes also increased significantly due in part to decoupling by the State from the federal inheritance tax base in fiscal year 2004. Lastly, Other Revenues also increased significantly reflecting increased revenues from gaming taxes and various fees among other sources. Federal Source Revenues fell by $932 million or 18% from fiscal year 2004 amounts which was anticipated in the fiscal year 2005 Operating Budget. That decrease reflects the decision in 2004 by the State to take advantage of a higher Medicaid reimbursement rate (i.e., 52.95% versus the normal 50%) that was available to Illinois during fiscal year 2004. The additional spending, and corresponding reimbursement revenues, were both facilitated through a short term borrowing of $850 million in June of 2004. That borrowing was repaid in fiscal year 2005 in conjunction with imposition of a Hospital Assessment Tax during the year. There were also recurring increases in Federal Source Revenues due to successful eligibility claims by the Department of Public Aid (since renamed to the Department of Health and Family Services) and the Department of Human Services, that were not implemented in prior years. Lastly, Statutory Transfers In increased by $256 million or 11.3% over fiscal year 2004 results reflecting increased lottery proceeds as well as transfers from fee-supported funds. In sum, total base resources (revenues plus transfers in) increased by $732 million or 2.9% in 2005, excluding the non-recurring effect of Pension Obligation Bond proceeds transferred in during fiscal year 2004.

Appropriations for fiscal year 2005 increased by $382 million to $23,865 million, or 1.6% over the comparable 2004 amount. However, actual expenditures decreased to $22,563 million, which was approximately $67 million or 0.3% less than in fiscal year 2004. Those expenditures represented increases in education and health care spending that were offset by reduced Medicaid appropriations in 2005 associated with the higher 2004 Medicaid expenditures, reimbursement rate and short term borrowing previously described. In essence, Medicaid expenditures that would otherwise have been made in fiscal year 2005 were accelerated into the last month of fiscal year 2004 to take advantage of that higher rate. As a result, the net expenditure change of $67 million was impacted by the decision to make additional federal reimbursements leading to approximately $850 million in spending being shifted between the two fiscal years. Statutory Transfers Out increased by $1,089 million or 42.4% in fiscal year 2005 reflecting the first year's payment of Pension Obligation Bond debt service totaling $495 million as well as other mandated transfers. In sum, total spending (expenditure plus transfers out) increased by $1,022 million or 4.1% more than in fiscal year 2004.

The fiscal year 2005 results also reflect an ongoing reduction in state employee headcount. Actual headcount under the Governor's control has declined significantly during the past three fiscal years from 68,863 full time equivalent (FTE) employees at the beginning of fiscal year 2003 to 56,966 FTE's at the end of fiscal year 2005. That reduction represents an 11,898 decrease in FTE employees or 17.3%.

As described in "THE OFFERING - LITIGATION" above, on March 9, 2005, the Treasurer's Office indicated by letter that it was suspending certain fund transfers to the State's general funds until a judicial determination of the legality of such transfers. The Illinois Comptroller continues to process such transfers pursuant to State law, and the State is vigorously pursuing a resolution of this matter. As of June 30, 2005, approximately $156 million of such transfers have been suspended by the Treasurer's Office although reflected in the General Funds cash balance at that date, as reported by the Office of the Comptroller and reflected in Table 5. One effect of that suspension is that accounts payable at the end of fiscal year 2005 increased beyond the originally anticipated amount to a total of $971 million. The fiscal year 2006 budget plan anticipates reducing the year-end payables to approximately $850 million, consistent with historical levels prior to fiscal year 2002, which was the fiscal year that reflected the impact of the national recession.

FISCAL YEAR 2006 BUDGET

The Governor proposed his fiscal year 2006 budget on February 16, 2005. The enacted budget was adopted by the General Assembly on May 31, 2005. The Governor's proposed fiscal year 2006 budget encompassed both an operating budget and a capital budget, which were presented separately.

As summarized in Table 5, the authorized fiscal year 2006 total spending (appropriations plus transfers out) is $26,660 million on a traditional budget basis. This represents an increase of $439 million or 1.7% over the fiscal year 2005 forecast of total spending. Fiscal year 2006 operating appropriations are $24,389 million, an increase of $524 million, or 2.2% over fiscal year 2005 appropriations.

The fiscal year 2006 operating budget controls future spending by authorizing structural reforms of the State's major fixed and semi-fixed costs: pension liability, Medicaid liability and group health insurance liability. The pension liability is discussed in a subsequent section entitled, "PENSION SYSTEMS".

As summarized in Table 5, total resources (revenues plus transfers in) on a cash basis are estimated to increase by $511 million over the revised fiscal year 2005 forecast, an increase of 2.0%. State resources (revenues and transfers in) were budgeted at $21,880 million, a $23 million decrease, or 0.1% decrease over fiscal year 2005 revised forecasts. Those decreases are associated with significant increases in actual 2005 collections, when compared to the 2006 budgeted State resources. The 2006 budgeted resources were estimated in January 2005, incorporated in the adopted 2006 budget proposed in February, and have not subsequently been updated to reflect the economic growth the State has experienced since that time period. Finally, Federal Source Revenues are expected to increase by $534 million, or 12.5% over fiscal year 2005 revised forecasts, which reflect a net increase in Medicaid program spending, after various proposed Medicaid reforms totaling approximately $360 million.

Fiscal year 2006 base revenue growth was estimated at 4.4% for net personal income tax, 8.2% for net corporate income tax, and 3.8% for sales tax, at the time the budget was proposed in February. No increases in income or sales tax rates were proposed, nor adopted, in the fiscal year 2006 Operating Budget as enacted.

FISCAL YEAR 2006 CAPITAL BUDGET

The Governor's proposed fiscal year 2006 Capital Budget contains total appropriations of $9,688 million, an increase of 5.5% over the fiscal year 2005 Capital Budget. The capital budgets for the last three years have been considerably below capital budgets of the 2000-2004 period, which peaked in 2003 at $12,439 million.

Total bond-financed capital appropriations in the fiscal year 2006 Capital Budget are $3,892 million. Of that, not all the new bonded appropriations are authorized - some bond categories were over appropriated beyond what can actually be spent, in order to provide flexibility between new and re-appropriated projects. In addition, some categories of new bonded appropriations are expected to cover needs for the next two fiscal years. Only minimal new bonded capital ($34 million) was appropriated in fiscal year 2005.

Capital funded out of current revenues, primarily user fees such as the Motor Fuel Tax, is $5,795 million, and federally funded capital is $525.1 million. Within the current revenue capital plan, the fiscal year 2006 Capital Budget includes $1,725 million in pay-as-you-go Road Program appropriations, the primary purpose of which is to maintain existing roads and bridges.

The fiscal year 2006 Capital Budget includes $1,414 million of new bonded appropriations. That includes $769.5 million of General Obligation Bond appropriations that consist of the following categories: $641.5 million Capital Development Fund, $110.0 million Transportation Series B, and $18.0 million School Construction. In addition to the General Obligation Bond appropriations, the Capital Budget contains $645.0 million of new appropriations from the Build Illinois Bond Fund.

The new fiscal year 2006 capital-spending plan has been designed within limitations identified by rigorous debt affordability analysis. This analysis considers the long-term effect of the capital program on the operating budget by assessing the impact of future debt service requirements on future operating budgets. Revenues projected for fiscal year 2006 will support the debt service on GO Bonds issued to fund the proposed new appropriations. These bonds will continue to bear the full faith and credit of the State as well as regular transfers out of the Road Fund to the GOBRI Fund. Build Illinois Bonds are already supported by a senior lien on the State's share of Sales Tax. The Bonds are being issued primarily for continued spending of re-appropriations for capital programs of prior years.

This capital budget minimizes the impact of the capital budget on the operating budget by focusing on repairs of existing state facilities rather than new or expanded facilities. It does so by addressing costly structural deterioration and reducing maintenance costs of existing facilities while not incurring additional operating and maintenance expenses associated with new facilities. Of the few new facilities proposed, many will result in operating efficiencies. For instance, the new Galesburg Armory, funded with $1.8 million of State funds and the remainder with federal funds, will replace and consolidate two aging armories which are costly and inefficient to operate and maintain.

BUDGET STABILIZATION FUND

Legislation enacted in 2000 required the State to transfer any unencumbered balance in the Tobacco Settlement Recovery Fund as of June 30, 2001 to the newly-created Budget Stabilization Fund. The State transferred $225 million to the Budget Stabilization Fund in July 2001. Public Act 92-11, effective June 11, 2001, authorized the Comptroller to direct the transfer of money from the Budget Stabilization Fund to the General Revenue Fund to meet short-term cash flow needs, with the requirement that all money so transferred must be repaid within the same fiscal year. The fiscal year 2004 budget included an additional $50 million contribution to the Budget Stabilization Fund, bringing the end of year balance to $276 million, where it remained at June 30, 2005. The fiscal year 2006 Operating Budget maintains the Budget Stabilization Fund at that same level, and assumes the year-end accounts payable will be reduced based on cash flows, both as reflected in Table 5.

BASIS OF ACCOUNTING

The Comptroller is responsible for the maintenance of the State's fiscal accounting records. The Comptroller provides accounting control over the cash on hand in a specific fund or funds (the "*Cash Balances*") for which the Treasurer is accountable, control over the issuance of warrants for payments of agencies' expenditures and control to ensure that State payments do not exceed legal appropriations and available fund balances. The Comptroller's records are kept on a basis of accounting wherein receipts are recognized at the time cash funds are ordered into the Treasury by the Comptroller. Prior to fiscal year 1998, disbursements were recognized when payment warrants were issued. Since fiscal year 1998, disbursements are recognized when vouchers are approved and released for payment.

As the fiscal control officer of the State, the Comptroller issues an Annual Report detailing receipts and expenditures for each year. Also, since 1981, the Comptroller has issued a Comprehensive Annual Financial Report ("*CAFR*"), which includes General Purpose Financial Statements prepared according to GAAP and statements of budgetary fund balances and changes in budgetary fund balances for all fund groups.

TABLE 5
FY 2003-FY 2006 BUDGET RESULTS & PLANS

COMPARATIVE BUDGET RESULTS & PLANS: FY2003 - FY2006 [1,2]

(in $ millions) 01/02/2006 version

	Fiscal Year 2003 Actual		Fiscal Year 2004 Actual		Fiscal Year 2005 Forecast		Fiscal Year 2006 Budget Plan (Adopted Budget)	
OPERATING RECEIPTS: REVENUES PLUS TRANSFERS IN								
REVENUES								
State Sources [3]	$ 17,163		$ 17,982		$ 19,390		$ 19,701	
Federal Sources	$ 3,940		$ 5,189		$ 4,257		$ 4,791	
TOTAL REVENUES		$ 21,103		$ 23,171		$ 23,647		$ 24,492
STATUTORY TRANSFERS IN								
Statutory Transfers In	$ 1,683		$ 2,257		$ 2,513		$ 2,179	
Pension Obligation Reimbursement Transfers	$ 300		$ 1,395		$ -		$ -	
TOTAL TRANSFERS		$ 1,983		$ 3,652		$ 2,513		$ 2,179
TOTAL OPERATING RECEIPTS		**$ 23,086**		**$ 26,823**		**$ 26,160**		**$ 26,671**
OPERATING DISBURSEMENTS: EXPENDITURES AND TRANSFERS OUT								
CURRENT YEAR EXPENDITURES								
APPROPRIATIONS (Total Budget)	$ 22,335		$ 23,483		$ 23,865		$ 24,389	
Less: **Governor's Cost Savings Initiatives** (Unspent Appropriations & Transfers)	$ -		$ -		$ -		$ (45)	
Less: **Unspent Appropriations** (Unspent Budget plus Uncashed Checks) [4]	$ (441)		$ (854)		$ (1,302)		$ (490)	
Equals: **CURRENT YEAR EXPENDITURES** (Net Appropriations Spent) [4]		21,894		$ 22,630		$ 22,563		$ 23,854
STATUTORY TRANSFERS OUT								
Legislatively Required Transfers (Diversions to Other Funds)	$ 2,031		$ 2,519		$ 3,163		$ 2,375	
Pay Pension Obligation Bond Debt Service	$ -		$ -		$ 495		$ 431	
Additional Transfer to Rainy Day Fund (Budget Stabilization Fund)	$ -		$ 50		$ -		$ -	
TOTAL TRANSFERS OUT		$ 2,031		$ 2,569		$ 3,658		$ 2,806
TOTAL DISBURSEMENTS: OPERATING EXPENDITURES AND TRANSFERS OUT		**$ 23,925**		**$ 25,199**		**$ 26,221**		**$ 26,660**
CASH BASIS FINANCIAL RESULTS AND BUDGET BASIS BALANCE								
CASH BASIS OPERATING SURPLUS (DEFICIT) [Receipts less Disbursements]		**$ (839)**		**$ 1,625**		**$ (61)**		**$ 11**
OTHER FINANCIAL SOURCES (USES)								
Short-Term Borrowing Proceeds	$ 1,675		$ -		$ 765		$ -	
Repay Short-Term Borrowing (includes interest)	$ (710)		$ (941)		$ (768)		$ -	
TOTAL OTHER FINANCIAL SOURCES (USES)		**$ 965**		**$ (941)**		**$ (3)**		**$ -**
CASH BASIS SURPLUS (DEFICIT) FOR FISCAL YEAR		**$ 126**		**$ 684**		**$ (64)**		**$ 11**
Plus: Budget Basis Fund Balance at Beginning of the Fiscal Year		**$ (1,220)**		**$ (1,094)**		**$ (410)**		**$ (475)**
BUDGET BASIS FUND BALANCE (DEFICIT) AT END OF FISCAL YEAR [5]		**$ (1,094)**		**$ (410)**		**$ (475)**		**$ (464)**
CHANGE IN CASH								
CASH BASIS SURPLUS (DEFICIT) FOR FISCAL YEAR		**$ 126**		**$ 684**		**$ (64)**		**$ 11**
Change in Accounts Payable (Change in Lapse Period Amounts)								
Accounts Payable at End of Prior Fiscal Year	$ 1,476		$ 1,411		$ 592		$ 971	
Less: Accounts Payable at End of Current Fiscal Year	$ (1,411)		$ (592)		$ (971)		$ (850)	
Equals: **Increase/(Paydown) of Accounts Payable During Fiscal Year**		**$ (65)**		**$ (819)**		**$ 379**		**$ (121)**
CHANGE IN CASH FOR FISCAL YEAR [6]		**$ 61**		**$ (135)**		**$ 315**		**$ (110)**
CASH POSITION								
CHANGE IN CASH FOR FISCAL YEAR [6]		**$ 61**		**$ (135)**		**$ 315**		**$ (110)**
Plus: **Cash Balance in General Funds at Beginning of Fiscal Year**		**$ 256**		**$ 317**		**$ 182**		**$ 497**
Equals: **Cash Balance in General Funds at End of Fiscal Year**		**$ 317**		**$ 182**		**$ 497**		**$ 387**
Plus: **Cash Balance in Budget Stabilization Fund at End of Fiscal Year**		**$ 226**		**$ 276**		**$ 276**		**$ 276**
Equals: **Total Cash at End of Fiscal Year**		**$ 543**		**$ 458**		**$ 773**		**$ 663**

SEE ACCOMPANYING FOOTNOTES WHICH ARE INTEGRAL TO THIS TABLE

FOOTNOTES

[1] **Traditionally the State has reported budgetary results reflecting cash basis revenues (cash collections within the fiscal year), while reporting expenditures on an accrual basis (cash disbursements plus accrued appropriated expenditures as of June 30th that are paid within the first 60 days ["Lapse Period"] of the subsequent fiscal year). Generally accepted accounting principles (GAAP) provides for recognizing revenues on a modified accrual basis. The modified accrual basis calls for recognizing as revenues all amounts earned within an accounting period and collected within 60 days of the following fiscal year. Pro forma effects of using the modified accrual basis of revenue recognition on State Source Revenues and Budget Basis Fund Balance are discussed below in footnotes 3 and 5, respectively.**

[2] **This Table presents actual results for FY2003-FY2004, as reported by the Office of the Comptroller, and following the State's traditional approach of recognizing cash receipts as revenues but accruing appropriated expenditures. Forecasted results for FY2005 are also provided, using that same approach. Actual results for that year will be reflected in the State's FY2005 Comprehensive Annual Financial Report (CAFR) which has not been completed at the time of this Offering. The FY2006 Budget is reported above using that approach (cash revenues and accrued appropriated expenditures).**

[3] **State Sources in this Table are reported on a cash receipts basis. On a modified accrual basis, the 60 day revenue accrual adjustment and total revenues from State Sources would have been reported as follows: FY2003: -$84 million accrual and $17,079 million of total revenues, FY2004: +$22 million accrual and $18,004 million of total revenues, FY2005: +$94 million accrual and $19.484 million of total revenues, and FY2006: +31 million accrual and $19,732 million of total revenues. (The revenue accrual represents the difference in Taxes Receivable between the beginning and end of the fiscal year.)**

[4] **FY2005 includes $850M of Medicaid appropriations that were not spent (i.e., were "lapsed"). Those resources were the source of repayment of short term borrowing for the Hospital Assessment Tax included above in Statutory Transfers Out.**

[5] **A Prior Period Adjustment to fund balance would be necessary to reflect the cumulative effect of using the modified accrual basis for revenue recognition for all fiscal years prior to 2006. For comparison purposes, a $691 million adjustment would restate the beginning FY2006 Budget Basis Balance from a deficit of -$475 million to a surplus of +$217 million, reflecting use of the modified accrual basis of revenue recognition. That adjustment is based upon estimated Taxes Receivable of $691 million as of June 30, 2005. The projected June 30, 2006 budget basis balance on a modified accrual basis would be $259 million reflecting the projected FY2006 modified accrual basis operating surplus of $42 million (i.e, the $11 million cash basis operating surplus as shown in the Table above plus the revenue accrual of $31 million -- see footnote #3 above) plus the restated beginning fund balance of +$217 million. Since appropriated expenditures are recognizied on an accrual basis (payable within 60 days of the fiscal year end), recognizing state revenues earned as of the fiscal year end (and collected within 60 days of that fiscal year end) provides a better matching of revenues and expenditures in the adopted budgets, consistent with the modified accrual basis used in governmental accounting.**

[6] **Change in Cash for Fiscal Year is equal to Cash Basis Surplus (Deficit) minus (plus) Other Cash Uses (Sources) relating to changes in Accounts Payable during the fiscal year.**

TABLE 6
STATE OF ILLINOIS
GENERAL FUNDS RECONCILIATION
FISCAL YEAR 2004
($ IN MILLIONS)

	Cash Basis	Adjustments for Budgetary Basis	Budgetary Basis	Adjustments for GAAP	GAAP Basis
Revenues:					
Income Taxes (net)	8,244	-	8,244	92	8,335
Sales Taxes (net)	6,317	14	6,331	191	6,522
Public Utility Taxes (net)	1,079	-	1,079	(37)	1,042
Federal government (net)	5,124	-	5,124	1,479	6,602
Other (net)	2,356	(19)	2,337	1,322	3,658
Total revenues	23,119	(5)	23,114	3,046	26,160
Expenditures:					
Current:					
Health and Social Services	10,688	(215)	10,473	3,076	13,550
Education	9,132	(548)	8,584	85	8,669
General Government	1,493	30	1,523	63	1,586
Employment and Economic Development	148	(14)	135	(2)	133
Transportation	73	(15)	59	4	63
Public Protection and Justice	1,765	(59)	1,706	(61)	1,645
Environment and Business Regulation	135	(6)	129	7	136
Debt Service:					
Principal	-	-			7
Interest	-	-			2
Capital Outlays	25	4	29	(10)	19
Total expenditures	23,460	(822)	22,638	3,163	25,809
Excess of revenues over expenditures	(341)	818	476	(116)	351
Other sources (uses) of financial resources:					
Operating transfers-in	6,039	-	6,039	(1,069)	4,970
Operating transfers-out	(5,832)	-	(5,832)	2,178	(3,654)
Proceeds from short-term borrowings		-			
Proceeds from capital lease financing		-		2	2
Net other (uses) of		-			
financial resources	207	-	207	1,112	1,319
Excess of revenues over expenditures and net other (uses) of financial resources	(134)	818	683	986	1,670
Fund balances (deficit), July 1, 2003	317	(1,410)	(1,094)	(3,072)	(4,166)
Restatement					
Restatement of fund balance		-	-	-	-
Fund balances (deficit), July 1, 2003, as restated	317	(1,410)	(1,094)	(3,072)	(4,166)
Increase (decrease) for changes in inventories	-	-	-	1	1
restated		(761)	45	(4,210)	(4,166)
Fund balances (deficit), June 30, 2004	**182**	**(593)**	**(410)**	**(2,085)**	**(2,495)**

Source: Based on information from the Office of the Comptroller and derived from the State's Consolidated Annual Financial Report, which may be found at: www.apps.ioc.state.il.us/ioc-pdf/CAFR_2004.pdf).

GAAP FINANCIAL REPORT

The complete General Purpose Financial Statements for fiscal year 2004, prepared in accordance with GAAP, have been filed with each NRMSIR and are incorporated herein by reference thereto.. Such Statements are also available upon request from the Office of the Comptroller at (217) 782-6000 or from the Comptroller's webpage at www.illinoiscomptroller.com. These statements were prepared by the Comptroller and examined and certified by the State Auditor General. For fiscal year 2004, the Auditor General has expressed an unqualified opinion on the General Purpose Financial Statements. The fiscal year 2005 audited statements have not been completed at the time of this offering.

Note 1 – Cash/Budget to GAAP Perspective Difference

On the GAAP basis, the Medicaid Provider Assessment Program Funds and the Income Tax Refund Fund are reported as part of the General Fund; whereas, they are not considered part of the General Fund on the budgetary basis or the cash basis.

Note 2 – Cash to Budget Adjustments

The budgetary basis fund balance deficit of $410,295 equals the June 30, 2004 cash balance of $182,437 less cash lapse period expenditures of $592,732. Adjustments from the cash basis of accounting for fiscal year 2004 to the budgetary basis include adding fiscal year 2004 lapse period spending (July 1 – August 31, 2004) and subtracting fiscal year 2003 lapse period spending (July 1 – August 31, 2003). Lapse period expenditures are payments between July 1 – August 31 for services received and for goods "encumbered" (ordered or contracted for) on or before June 30 and received no later than August 31 which are paid from fiscal year 2004 appropriations or "lapsing accounts." These expenditures include refunds which have been netted against the related revenue.

Note 3 – Budget to GAAP Adjustments

A detail of the reconciliation of the traditional budgetary basis vs. GAAP is presented in the Notes to Required Supplemental Information in the Comprehensive Annual Financial Report. Significant differences noted in the financial statements include recording accounts receivable, deferred revenue and accounts payable at year-end. Accounts payable include liabilities which will be paid from future year appropriations (e.g., income tax refunds, Public Aid medical reimbursements and payments to local school boards for State Board of Education reimbursement programs).

There were also classification differences between the budgetary basis and GAAP. Interest paid on income tax refunds is reported as general government expenditures for GAAP reporting purposes and as a reduction of revenues in the budgetary presentation. In addition, transfers from the General Revenue Fund to the Common School Fund and from the Common School Special Account to the Common School Fund, which are reported on the traditional budgetary basis, have been eliminated for GAAP reporting purposes.

TAX STRUCTURE

General Funds

The general funds receive the major share of tax revenues from the following five sources:

Personal Income Tax: The personal income tax liability is 3.0 percent of each taxpayer's Illinois base income with an exemption allowed for the taxpayer and each dependent. There are also additional exemptions for the elderly, blind and disabled. The standard exemption is $2,000.

The Income Tax Refund Fund (the "*Refund Fund*") was created in 1989. Both corporate and personal income tax refunds are paid from the Refund Fund rather than the General Revenue Fund. Statutorily, the annual percentage of corporate or personal income tax collections deposited into the Refund Fund (the "*Refund Fund rate*") is determined by a formula, the numerator of which is the prior year income tax refunds paid or approved for payment, and the denominator is the prior year income tax collections.

The Refund Fund rate for personal income taxes was statutorily set at 7.1 percent for fiscal years 1999 through 2001 to accommodate increases to the personal exemption. In fiscal year 2002, the Refund Fund rate for personal income taxes was determined by the statutory formula, with a cap of 7.6 percent. In fiscal year 2003, the Refund Fund rate for personal income taxes was set at 8.0 percent pursuant to Public Act 92-600. The Refund Fund rate for fiscal year 2004 for personal income taxes was set at 11.7 percent pursuant to Public Act 93-32. After fiscal year 2004, Public Act 93-32 provides that the Refund Fund rate for personal income taxes is determined by the statutory formula. The statutory rates were set at 10% and 9.75% for fiscal years 2005 and 2006, respectively.

All personal income tax collections not deposited into the Refund Fund are deposited into the general funds. During fiscal year 2004, the personal income tax accounted for approximately 30.6 percent of general funds revenues.

The Illinois Constitution requires that the basic corporate income tax rate not exceed the personal income tax rate by more than a ratio of 8 to 5.

Corporate Income Tax: The corporate income tax liability is 4.8 percent of each corporation's taxable income with a $1,000 exemption. Multi-state corporations have corporate income tax liability based on their property, payroll and sales attributable to Illinois.

The Refund Fund rate for corporate income taxes was statutorily set at 19.0 percent for fiscal years 1999 through 2001 to accommodate the changes to the apportionment formula. In fiscal year 2002, the Refund Fund rate for corporate income taxes was determined by the statutory formula, with a cap of 23.0 percent. In fiscal year 2003, the Refund Fund rate for corporate income taxes was set at 27.0 percent pursuant to Public Act 92-600. The Refund Fund rate for fiscal year 2004 for corporate income taxes was set at 32 percent pursuant to Public Act 93-32. After fiscal year 2004, Public Act 93-32 provides that the Refund Fund rate for corporate income taxes will be determined by the statutory formula. The statutory rates were set at 24% and 20% for fiscal years 2005 and 2006, respectively.

State corporate income taxes not deposited into the Refund Fund are deposited into the general funds. During fiscal year 2003, corporate income taxes accounted for approximately 3.2 percent of general funds revenues.

Corporations are subject to a supplemental income tax at a rate of 2.5 percent (1.5 percent for a partnership, trust, or Subchapter S corporation), imposed to replace for local governments the corporate personal property tax which was abolished on January 1, 1979. The replacement income tax is distributed to local governments by the State.

Sales Tax: The State levies a tax on retail sales subject to certain exemptions, including food and drugs. The sales and use tax rate is 6.25 percent, comprised of the State's portion of 5.0 percent and the local government's portion of 1.25 percent. The 6.25 percent tax is applied to a standard base, meaning counties and municipalities must tax the same items as the State. In fiscal year 2004, sales taxes provided approximately 23.6 percent of general funds revenues.

Public Utility Taxes: Public utility tax receipts are comprised of taxes on electricity, natural gas, and telecommunications. In fiscal year 2004, public utility taxes provided 4.02 percent of general funds revenues. The tax for natural gas is imposed on gas utilities at the lesser of 5.0 percent of gross receipts or 2.4 cents per therm. The tax on electricity is a per kilowatt-hour tax on end-user usage, with the marginal tax rate declining as usage increases during the month. Non-residential customers may opt to be "self-assessing purchasers" and pay at the rate of 5.1 percent of purchase price of the electricity that is used or consumed in a month.

The Telecommunications Excise Tax Act was amended in 1998 to raise the tax on all telecommunications billed to Illinois consumers from 5.0 to 7.0 percent of gross receipts. One-half of the additional revenue is deposited into the Common School Fund, a general fund, and one-half is deposited into the School Infrastructure Fund. Transfers from the School Infrastructure Fund are made to the GOBRI Fund as a supplementary source for debt service on school construction bonds issued under Section 5(e) of the Bond Act.

Cigarette Tax: The cigarette tax is 98 cents per package of 20 cigarettes and was last increased 40 cents per package of 20 cigarettes in June 2002. From the total tax collected, $33.3 million a month is deposited into the general funds and $5 million a month is deposited into the School Infrastructure Fund for debt service payments on an expansion of the school construction grant program. Remaining cigarette tax revenues are deposited into the Long Term Care Provider Fund.

Road Fund

The Road Fund receives the bulk of its State revenues from motor fuel taxes and vehicle registration fees.

Motor Fuel Tax: The State imposes the following taxes on motor fuel used for highway transportation on a per gallon basis:

- Motor fuel tax of 19 cents per gallon;
- Additional diesel tax of 2.5 cents per gallon; and
- Leaking Underground Storage Tank (LUST) tax of 0.3 cents per gallon.

Motor fuel tax receipts are deposited into the Motor Fuel Tax (MFT) Fund. The revenues from the MFT Fund are split between the State and local government units after certain administrative expenses and a series of transfers out to other State funds. These revenues are split 45.6 percent to the State and 54.4 percent to the local governments. Of the State's share, 37 percent is deposited into the State Construction Account Fund and 63 percent is deposited into the Road Fund. The local share of receipts is awarded as grants to municipalities, counties, townships and road districts.

The revenues from the additional diesel tax are deposited directly into the State Construction Account Fund which is used for highway construction. The revenues from the 0.3 cents per gallon LUST tax are scheduled to be transferred into the Underground Storage Tank Fund until January 1, 2013.

Motor Vehicle Fees: Revenue from motor vehicle fees is derived primarily from vehicle registrations, with fees from operators' and chauffeurs' licenses and vehicle titles representing a smaller portion of the total. Approximately 60 percent of these fees are paid into the Road Fund, and the remainder is paid into the State Construction Account Fund and other smaller funds. Motor vehicle registration fees are $78 annually and large truck and trailer registration fees were on a scale ranging from $135 for an 8,000 pound truck to $2,790 for an 80,000 pound truck. Certificate of title fees are $65. Since calendar year 2000, $48 of each title fee increase have been deposited into the Road Fund and the remaining $4 have been deposited into the Motor Vehicle License Plate Fund.

TAX BURDEN

Two of the most commonly cited measures of tax burden are tax receipts per capita and tax receipts per $1,000 of personal income. According to the United States Department of Commerce, Bureau of the Census, State Government Finances: 2002 (March 2004), to assess tax burden in a state, these measures are applied to the State's total general revenue collections (general revenue includes state taxes, intergovernmental revenue, current charges and other miscellaneous general revenue) and to State tax collections (State tax collections include sales and gross receipts, corporate income, personal income and other taxes). In 2003, the State's general revenue collections per capita of $3,226 ranked seventh lowest among the states, below the national average of $3,832. When taking into consideration the wealth of states in the United States, the State's 2003 total of $95 General Revenue funds collected per $1,000 of personal income ranked well below the national average of $119.

With respect to state tax collections only, the State's 2003 per capita collections of $1,756 ranked as the 21st lowest among the states in the United States, about $136 below the average nationwide. The State's 2003 total of $51 collected per $1,000 of personal income compares to the national average total of $59 collected per $1,000.

MONEY PAID TO THE STATE UNDER PROTEST

Money paid to the State under protest is required to be placed by the Treasurer in a special fund known as the Protest Fund. After 30 days from the date of payment into the Protest Fund, the money is to be transferred from the

Protest Fund to the appropriate fund in which it would have been deposited had there been no protest. However, the party making the payment under protest may, within that 30-day period, file a complaint and secure a temporary injunction restraining the transfer from the Protest Fund. Under the injunction, the money is to remain in the Protest Fund until a final order or decree of a court determines the proper disposition of the money. As of November 1, 2005, the total Protest Fund balance was $10.4 million.

INDEBTEDNESS

SHORT-TERM DEBT

Pursuant to the Illinois Constitution and the Short Term Borrowing Act, the Governor, Comptroller and Treasurer are authorized (i) to borrow an amount not exceeding 5% of the State's appropriations for any fiscal year in anticipation of revenues to be collected in that fiscal year, which borrowing is to be repaid by the close of that fiscal year and (ii) to borrow an amount not exceeding 15% of the State's appropriations for any fiscal year to meet failures in revenues, which borrowing is to be repaid within one year.

The Short Term Borrowing Act constitutes an appropriation out of any money in the State Treasury of an amount sufficient to pay the principal and interest on short term certificates issued pursuant to such Act.

The following table summarizes the State's history of issuing short term debt.

TABLE 7
SHORT TERM CERTIFICATES ISSUED
($ IN MILLIONS)

Date Issued	Amount Issued	Final Maturity
November 2005	$1,000	June 2006
March 2005	765	June 2005
June 2004	850	October 2004
May 2003	1,500	May 2004
July 2002	1,000	June 2003
August 1995	500	June 1996
August 1994	687	June 1995
August 1993	900	June 1994
October 1992	300	June 1993
August 1992	600	May 1993
February 1992	500	October 1992
August 1991	185	June 1991
February 1987	100	February 1988
June-July 1983	200	May 1984

GENERAL OBLIGATION BONDS

GO Bonds of the State may be authorized by a vote of three-fifths of the members of each house of the General Assembly or by a majority of the voters at a general election. The Bond Act consolidated the authorization contained in prior bond acts into a single act and currently authorizes the issuance of multiple purpose GO Bonds in the aggregate amount of $16,927,149,369, excluding general obligation refunding bonds, for capital purposes and up to $10 billion of GO Pension Funding Bonds. The State issued $10 billion of GO Pension Funding Bonds in June 2003 for the purpose of funding or reimbursing a portion of the State's contributions to State retirement systems. See "PENSION SYSTEMS - ISSUANCE OF GO PENSION FUNDING BONDS AND ALLOCATIONS OF PROCEEDS."

The following table shows the statutory general obligation bond authorization and all GO Bonds outstanding as of January 2, 2006.

TABLE 8
GENERAL OBLIGATION BONDS
(AS OF JANUARY 2, 2006)

Authorization Category	Amount Authorized	Amount Issued	Authorized Unissued	Amount Outstanding
Anti-Pollution[1]	$ 599,000,000	$ 599,000,000	$ -	$ 14,160,000
Capital Development[1]	1,737,000,000	1,737,000,000	-	-
Coal and Energy Development[1]	35,000,000	35,000,000	-	-
School Construction[1]	330,000,000	330,000,000	-	-
Transportation Series A[1]	1,326,000,000	1,326,000,000	-	-
Transportation Series B[1]	403,000,000	403,000,000	-	-
Multi-purpose	16,927,149,369	13,983,386,352	2,943,763,017	7,982,848,353
Subtotal – New Money Bonds	$21,357,149,369	$18,413,386,352	$2,943,763,017	$7,997,008,353
Refunding Bonds[2]	2,839,025,000	3,965,574,239	1,002,426,429	1,836,598,571
Subtotal – New and Refunding	$24,196,174,369	$22,378,960,591	$3,946,189,446	$9,833,606,924
Pension Refunding	10,000,000,000	10,000,000,000	-	10,000,000,000
Total – Capital and Pension	$34,196,174,369	$32,378,960,591	$3,946,189,446	$19,833,606,924

[1]These bonds were issued under predecessor statutes to the Bond Act.
[2]The State is authorized to issue $2,839,025,000 of GO Bonds, at any time and from time to time outstanding, for the purpose of refunding any outstanding GO Bonds. The authorized unissued amount of refunding bonds is the difference between the amount authorized and the amount outstanding.
Note: Columns may not add due to rounding

Pursuant to the Bond Act, amounts in the Anti-Pollution bond retirement and interest fund were transferred to and consolidated in the GOBRI Fund. The GOBRI Fund is used to make debt service payments on outstanding GO Bonds issued for these purposes, on multiple purpose and refunding bonds issued under the Bond Act, and on short term certificates issued as described above under "SHORT-TERM DEBT."

As of January 3, 2006 a total of $471.6 million was available in the GOBRI Fund. Since these moneys are not segregated as to amounts of principal and interest, the amounts of outstanding GO Bonds shown above have not been reduced by this $471.6 million.

INTEREST RATE EXCHANGE AGREEMENTS

In October 2003, the State entered into five separate, but substantially identical, interest rate exchange agreements (collectively, the "*Agreements*") to convert the variable rate on its Variable Rate General Obligation Bonds, Series B of October 2003 to a synthetic fixed rate. The Agreements have an aggregate notional amount of $600 million, bear a fixed rate of interest of 3.89% and were allocated among five separate counterparties (each a "*Counterparty*," and collectively, the "*Counterparties*"). The Agreements are proportionate among the Counterparties, and the Agreement amounts are identified to and amortize with the Series B of October of 2003 variable rate bonds until their final maturity on October 1, 2033. Pursuant to Section 9(b) of the Bond Act, net payments under the Agreements shall be considered interest on such bonds, which shall be subject to continuing appropriation for payment by the General Assembly, and are general obligations of the State.

The State entered into the Agreements as a means of (1) lowering its borrowing costs when compared to fixed-rate bonds at the time of issuance and (2) limiting interest rate risk inherent in variable rate debt. The Agreements may expose the State to certain market and credit risks. The State may terminate the Agreements at any time at market value, or upon the occurrence of certain events. In addition, the State or the Counterparties may terminate the Agreements if the other party fails to perform under the terms of the Agreements. A Counterparty may terminate its related Agreement if the State's rating falls below "BBB" from S&P, "Baa" from Moody's and "BBB" from Fitch.

If the Agreements are terminated, the related bonds would continue to bear interest at a variable rate, and the State could be liable for a termination payment if the Agreements have a negative market value.

HISTORICAL BORROWING

The following table summarizes the level of bond sales from fiscal years 2002-2006.

TABLE 9
GENERAL OBLIGATION BOND SALES
($ IN MILLIONS)

Fiscal Year	Capital Improvement	Pension Funding
2002	1,500.0	-
2003	1,650.0	10,000.0
2004	1,175.0	-
2005	875.0	-
2006[1]	300.0	-

[1] Does not include the Bonds.

INDEBTEDNESS IN PRIOR YEARS

The following table shows the outstanding general obligation indebtedness of the State at the end of each fiscal year from 2002-2006.

TABLE 10
GENERAL OBLIGATION BONDS OUTSTANDING
FISCAL YEARS 2002-2006
($ IN MILLIONS)

End of Fiscal Year	Capital Improvement	Pension Funding[1]
2002	7,629.9	-
2003	8,812.6	10,000.0
2004	9,556.3	10,000.0
2005	9,893.0	10,000.0
2006[2]	9,627.0	10,000.0

[1] Principal and Interest on the Pension Bonds is funded with corresponding reductions to the Unfunded Actuarial Accrued Liability payments appropriated from the general funds as an unfunded liability replacement financing pursuant to Public Acts 88-593 and 93-009.
[2] Includes only bonds issued and outstanding to date; does not include the Bonds.

DEBT SERVICE PAYMENTS

Debt service of the State's GO Bonds is paid from the GOBRI Fund. The GOBRI Fund receives transfers from the Road Fund to pay debt service on bonds issued for Transportation A purposes (highways), from the School Infrastructure Fund and the General Revenue Fund to pay debt service on bonds issued under Section 5(e) of the Bond Act and from the General Revenue Fund to pay debt service on bonds issued for all other purposes.

Not including debt service on short term debt certificates as may be from time to time outstanding, the following table shows debt service payments on GO Bonds from fiscal year 2002 through 2006 and the funds from which the transfers originate.

TABLE 11
GENERAL OBLIGATION BONDS
DEBT SERVICE PAYMENTS[1]
($ IN MILLIONS)

	FY 02	FY 03	FY 04	FY 05	FY 06
Road Fund	195.7	215.0	192.7	237.5	258.5
School Infrastructure Fund	73.2	127.5	155.2	196.7	225.9
General Funds	582.6	628.9	583.4	664.5	668.8
General Funds-Pension[2]	-	-	481.0	496.2	496.2

[1] Principal and interest paid on outstanding GO bonds, does not include the Bonds.
[2] Interest on General Obligation Pension Bonds for FY 2003 was funded from Pension Bond proceeds. Principal and Interest on the Pension Bonds is funded with corresponding reductions to the Unfunded Actuarial Accrued Liability payments appropriated from the general funds as an unfunded liability replacement financing pursuant to Public Acts 88-593 and 93-009.

MEASURES OF DEBT BURDEN

Tables 12, 13, 14 and 15 show various measures of the relative burden of the State's general obligation debt and debt service.

TABLE 12
RATIO OF GENERAL OBLIGATION DEBT SERVICE
TO TOTAL GENERAL AND ROAD FUND APPROPRIATIONS
FISCAL YEARS 2001-2005

Fiscal Year	Total Expenditures[1] ($ In Millions)	Capital Improvements % of	Pension Bonds % of Expenditures
2001	25,975	3.04	-
2002	27,022	3.15	-
2003	26,560	3.67	-
2004	26,915	3.46	1.84
2005	26,804	4.10	1.85

[1]Includes aggregate appropriations from the general funds and the Road Fund as of the end of each fiscal year.

TABLE 13
RATIO OF GENERAL OBLIGATION DEBT TO ILLINOIS PERSONAL INCOME
FISCAL YEARS 2001-2005

Fiscal Year	Illinois Personal Income[1] ($ In Billions)	Capital Improvements % of Personal Income	Pension Bonds % of Personal Income
2001	404.6	1.63	-
2002	412.9	1.85	-
2003	429.4	2.05	-
2004[2]	438.0	2.18	2.28
2005[2]	446.7	2.21	2.24

[1] U.S. Department of Commerce, Bureau of Economic Analysis.
[2] GOMB estimate, including a 2% growth in Illinois personal income for Fiscal Year 2004 and Fiscal Year 2005

TABLE 14
GENERAL OBLIGATION DEBT PER CAPITA
FISCAL YEARS 2001-2005

	2001	2002	2003	2004	2005
Population (in Thousands)[1]	12,482	12,532	12,582	12,632[a]	12,695[a]
Capital Improvement Debt per Capita	$529	$609	$700	$757	$779
Pension Bonds Debt per Capita[2]	-	-	795	792	788

[1] Population figures are based on actual census data (1990 and 2000) and estimates from the U.S. Department of Commerce, Bureau of the Census, December 2003 press release.
[2] Approximately 73% of the Pension Bond debt per capita is offset by corresponding unfunded pension liability per capita.
[a] GOMB estimate.

TABLE 15
RATIO OF GENERAL OBLIGATION DEBT TO EQUALIZED ASSESSED VALUATION
FISCAL YEARS 2000-2004
(BONDS AND EQUALIZED ASSESSED VALUES ("EAV") IN MILLIONS)

	2001	2002	2003	2004	2005
Population (in Thousands)[1]	12,482	12,532	12,582	12,632[a]	12,695[a]
Capital Improvement Debt per Capita	$529	$609	$700	$757	$779
Pension Bonds Debt per Capita[2]	-	-	$795	$792	$788

Source: Illinois Department of Revenue
[1] Population figures are based on actual census data (1990 and 2000) and estimates from the U.S. Department of Commerce, Bureau of the Census, December 2003 press release.
[2] Approximately 73% of the Pension Bond debt per capita is offset by corresponding unfunded pension liability per capita.
[a] GOMB estimate.

TABLE 16
MATURITY SCHEDULE - GENERAL OBLIGATION BONDS
(BOND ISSUANCES THROUGH JANUARY 2, 2006, INCLUDING THE BONDS)

	General Obligation Capital Improvement Bonds						General Obligation Pension Bonds			Total
Fiscal Year June 30	Anti-Polution	Multiple Purpose	Refunding	Total Principal	Total Interest	Total Debt Service	Total Principal	Total Interest	Total Debt Service	Combined Total Debt Service
2006	6,160,000	432,376,803	126,913,084	565,449,887	587,818,027	1,153,267,914	-	496,200,000	496,200,000	1,649,467,914
2007	4,960,000	418,554,579	133,283,057	556,797,635	596,799,867	1,153,597,502	-	496,200,000	496,200,000	1,649,797,502
2008	4,560,000	408,074,415	140,405,980	553,040,394	583,055,634	1,136,096,029	50,000,000	496,200,000	546,200,000	1,682,296,029
2009	2,360,000	391,575,376	137,685,768	531,621,143	570,734,374	1,102,355,518	50,000,000	494,950,000	544,950,000	1,647,305,518
2010	800,000	407,339,814	143,194,938	551,334,753	512,395,837	1,063,730,590	50,000,000	493,550,000	543,550,000	1,607,280,590
2011	-	359,741,202	168,948,829	528,690,031	497,026,287	1,025,716,318	50,000,000	491,900,000	541,900,000	1,567,616,318
2012	-	341,098,439	150,005,000	491,103,439	447,787,735	938,891,174	100,000,000	490,125,000	590,125,000	1,529,016,174
2013	-	260,930,751	234,750,000	495,680,751	407,988,955	903,669,706	100,000,000	486,375,000	586,375,000	1,490,044,706
2014	-	262,889,607	234,640,000	497,529,607	362,851,584	860,381,191	100,000,000	482,525,000	582,525,000	1,442,906,191
2015	-	391,535,720	126,795,000	518,330,720	313,091,421	831,422,141	100,000,000	478,575,000	578,575,000	1,409,997,141
2016	-	420,671,341	86,835,000	507,506,341	288,849,759	796,356,100	100,000,000	474,525,000	574,525,000	1,370,881,100
2017	-	415,876,341	62,740,000	478,616,341	258,108,315	736,724,656	125,000,000	470,175,000	595,175,000	1,331,899,656
2018	-	402,607,806	52,795,000	455,402,806	222,912,728	678,315,534	150,000,000	464,737,500	614,737,500	1,293,053,034
2019	-	383,102,317	40,730,000	423,832,317	197,160,658	620,992,975	175,000,000	458,212,500	633,212,500	1,254,205,475
2020	-	368,251,629	29,780,000	398,031,629	178,726,158	576,757,788	225,000,000	449,550,000	674,550,000	1,251,307,788
2021	-	343,645,883	38,245,000	381,890,883	152,319,005	534,209,888	275,000,000	438,412,500	713,412,500	1,247,622,388
2022	-	363,357,410	7,670,000	371,027,410	123,939,040	494,966,450	325,000,000	424,800,000	749,800,000	1,244,766,450
2023	-	347,092,922	-	347,092,922	110,624,865	457,717,788	375,000,000	408,712,500	783,712,500	1,241,430,288
2024	-	311,253,968	-	311,253,968	87,447,595	398,701,563	450,000,000	390,150,000	840,150,000	1,238,851,563
2025	-	269,988,835	-	269,988,835	74,665,040	344,653,875	525,000,000	367,200,000	892,200,000	1,236,853,875
2026	-	260,630,000	-	260,630,000	58,597,875	319,227,875	575,000,000	340,425,000	915,425,000	1,234,652,875
2027	-	249,545,000	-	249,545,000	45,684,000	295,229,000	625,000,000	311,100,000	936,100,000	1,231,329,000
2028	-	215,205,000	-	215,205,000	33,539,625	248,744,625	700,000,000	279,225,000	979,225,000	1,227,969,625
2029	-	183,970,000	-	183,970,000	23,322,500	207,292,500	775,000,000	243,525,000	1,018,525,000	1,225,817,500
2030	-	128,860,000	-	128,860,000	15,994,000	144,854,000	875,000,000	204,000,000	1,079,000,000	1,223,854,000
2031	-	84,815,000	-	84,815,000	10,610,500	95,425,500	975,000,000	159,375,000	1,134,375,000	1,229,800,500
2032	-	37,335,000	-	37,335,000	7,378,125	44,713,125	1,050,000,000	109,650,000	1,159,650,000	1,204,363,125
2033	-	42,625,000	-	42,625,000	5,486,875	48,111,875	1,100,000,000	56,100,000	1,156,100,000	1,204,211,875
2034	-	80,795,000	-	80,795,000	2,662,625	83,457,625	-	-	-	83,457,625
Total	18,840,000	8,583,745,156	1,915,416,655	10,518,001,811	6,777,579,011	17,295,580,823	10,000,000,000	10,956,475,000	20,956,475,000	38,252,055,823

General Obligation Debt Service payments in progress for Fiscal Year 2006:

01/02/06	4,680,000	275,896,803	78,818,084	359,394,887	371,635,434	731,030,321	-	248,100,000	248,100,000	979,130,321
06/30/06	1,480,000	156,480,000	48,095,000	206,055,000	216,182,593	422,237,593	-	248,100,000	248,100,000	670,337,593
FY 2006	6,160,000	432,376,803	126,913,084	565,449,887	587,818,027	1,153,267,914	-	496,200,000	496,200,000	1,649,467,914

REVENUE BONDS

Revenue bonds are either those bonds for which the State dedicates a specific revenue source for debt service or those bonds under which the State is committed to retire debt issued by certain authorities or municipalities created and organized pursuant to law and operating within the State. The State's commitment is based upon various Illinois statutes and upon contractual arrangements with the issuers. Table 17 identifies the type and current level of revenue bonded indebtedness. A description of each bond program follows the table.

TABLE 17
REVENUE BONDS
(AS OF JUNE 30, 2005)

	Revenue Bonds Outstanding
Build Illinois (Sales Tax Revenue Bonds)	$2,218.0
Metropolitan Exposition and Auditorium Authorities Civic Center Program	129.7
Metropolitan Pier and Exposition Authority Dedicated State Tax Revenue Bonds	221.3
Metropolitan Pier and Exposition Authority McCormick Place Expansion Project and Refunding Bonds	2,224.2
Illinois Sports Facilities Authority	452.6
Certificates of Participation	29.2
Total	**$5,275.0**

BUILD ILLINOIS

The Build Illinois program funds initiatives in business development, infrastructure construction and replacement, education, and environmental protection. The Build Illinois Bonds are dedicated State tax revenue bonds. The current Build Illinois bond authorization is $3,806 million. Public Act 93-0839 (effective July 30, 2004) amended the Build Illinois Bond Act, 30 ILCS 425 et. seq., to include restrictions similar to those contained in the Bond Act.

The Build Illinois Fund receives 3.8 percent of State sales tax collections to support debt service on Build Illinois Bonds and project spending. To the extent these revenues are insufficient in any month to provide specified amounts set forth in law to secure Build Illinois Bonds, an additional amount equal to the deficiency will be paid from the State's sales tax collections.

Build Illinois Bonds are limited obligations of the State payable solely from the specified State tax receipts. Build Illinois Bonds are not general obligations of the State and are not secured by a pledge of the full faith and credit of the State. The holders of Build Illinois Bonds may not require the levy or imposition of any taxes or the application of other State revenue or funds to the payment of the bonds, except for the specified tax revenues pledged to the bonds.

METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITIES—CIVIC CENTER PROGRAM

In 1989, the GOMB was authorized to issue Civic Center Bonds. Prior to this change, eligible civic center authorities and later the Department of Commerce and Community Affairs issued state-supported bonds to finance the development of community civic centers.

State of Illinois Civic Center Bonds are direct, limited obligations of the State payable from and secured by an irrevocable pledge and lien on moneys deposited in the Illinois Civic Center Bond Retirement and Interest Fund. The payment of debt service is subject to annual appropriation by the General Assembly. The bonds are not general obligations of the State and are not secured by a pledge of the full faith and credit of the State. The bondholders may not require the levy or imposition of any taxes or the application of other State revenues or funds to the payment of the bonds.

METROPOLITAN PIER AND EXPOSITION AUTHORITY—DEDICATED STATE TAX REVENUE BONDS

Legislation effective in July 1984 dedicated a revenue stream from a variety of State sources to provide financing for the North Building expansion of the McCormick Place complex in Chicago and to redeem outstanding Exposition Building Revenue Bonds. These bonds are secured primarily by revenues from State sales and hotel taxes. The Dedicated State Tax Revenue Bonds are special obligations of the Metropolitan Pier and Exposition Authority ("*MPEA*"); neither the full faith and credit nor the taxing power of the State, other than the specific dedicated taxes, is pledged to the payment of the principal or interest on the bonds. Debt service on the bonds is subject to annual appropriation.

METROPOLITAN PIER AND EXPOSITION AUTHORITY—EXPANSION PROJECT BONDS

MPEA is authorized to issue McCormick Place Expansion Project Bonds. These bonds are secured by locally imposed taxes including hotel/motel, restaurant, car rental and airport departure taxes. Surplus from the Illinois Sports Facilities Authority hotel tax also is pledged as security for the bonds. If revenues from the taxes imposed by MPEA are insufficient to pay debt service on the Expansion Project Bonds, remaining State sales tax revenues, following required deposits to the Build Illinois Fund, are pledged to meet the deficiency.

ILLINOIS SPORTS FACILITIES AUTHORITY

The Illinois Sports Facilities Authority ("*ISFA*") was created in 1987, with authorization to finance construction of a professional sports stadium within the City of Chicago. Pursuant to legislation effective June 1, 2001, ISFA was authorized to finance reconstruction of a stadium for the Chicago Bears and related lakefront improvements in Chicago (the "*Soldier Field Project*"). Debt issued by ISFA is an obligation of ISFA and is not backed by the full faith and credit of the State. In 1989, ISFA issued $150 million of revenue bonds to finance construction of a new Comiskey Park stadium (the "*1989 ISFA Bonds*"), now known as U.S. Cellular Field, and such bonds were refunded in 1999 from the issuance by ISFA of revenue bonds (the "*1999 ISFA Bonds*").

On October 12, 2001, ISFA issued $399 million of revenue bonds to finance the Soldier Field Project (the "*2001 ISFA Bonds*"). The 1999 ISFA Bonds and the 2001 ISFA Bonds are payable, subject to appropriation, from (i) a $10 million subsidy derived equally from State hotel tax revenues and amounts allocable to the City of Chicago under the State Revenue Sharing Act and (ii) an advance of State hotel tax revenues in the amount of $23.425 million in fiscal year 2003, increasing by 5.615% each fiscal year thereafter, which advance is required to be repaid annually by receipts derived from a two percent hotel tax imposed by ISFA within the City of Chicago. In the event the ISFA tax is insufficient to repay the advance of State hotel tax revenues, the deficiency will be paid from additional amounts allocable to the City of Chicago under the State Revenue Sharing Act. The State expects that all amounts advanced as described in clause (ii), above, will be repaid to the State.

In addition, in October 2003 ISFA issued $42.535 million of additional revenue bonds (the "*2003 ISFA Bonds*") to finance a portion of certain renovations to U.S. Cellular Field. The 2003 ISFA Bonds are payable from the same revenue sources as the 1999 ISFA Bonds and the 2001 ISFA Bonds.

CERTIFICATES OF PARTICIPATION

Public Act 93-0839 provides that the State shall not enter into any third-party vendor or other arrangements relating to the issuance of certificates of participation or other forms of financing relating to the rental or purchase of office or other space, buildings, or land unless otherwise authorized by law. The State has issued two series of certificates of participation for the acquisition of real property, $21.0 million in October 1995 and $17.7 million in May 1996. The proceeds of these certificates were used to finance the construction of correctional facilities. The certificates are payable from lease or installment purchase payments which are subject to annual appropriation and are not a full faith and credit obligation of the State.

OTHER OBLIGATIONS

The State has other long-term obligations in the form of lease-purchase payments. Third party vendors have issued certificates of participation to finance renovations and buildings which are leased to State agencies.

In addition, the State has obligations in the form of agricultural loan guarantees issued through the Illinois Finance Authority as successor to the Illinois Farm Development Authority. The Illinois Finance Authority may have up to $210 million in outstanding loans, of which eighty-five percent is guaranteed by the State. As of June 30, 2005, the Illinois Finance Authority had $77.1 million in outstanding loans, of which 85 percent is guaranteed by the State.

TABLE 18
MATURITY SCHEDULE - REVENUE BONDS
(AS OF JUNE 30, 2005)

Year Ending June 30	Build Illinois	MPEA DSTRB	MPEA Expansion Project	Civic Center Program	Sports Facilities Authority	Illinois Certif. of Participation	Total Principal	Total Interest	Total Debt Service
2006	113,436,275	18,715,000	22,716,705	6,790,000	9,705,000	1,580,000	172,942,980	237,867,431	410,810,411
2007	121,447,627	19,920,000	50,741,928	7,175,000	10,190,000	1,660,000	211,134,555	211,267,133	422,401,688
2008	126,362,846	21,170,000	33,085,032	7,610,000	10,841,388	1,750,000	200,819,266	237,719,216	438,538,482
2009	125,321,350	22,515,000	40,491,052	8,100,000	12,331,033	1,850,000	210,608,434	234,993,300	445,601,734
2010	129,625,756	24,015,000	50,821,819	8,595,000	13,810,316	1,945,000	228,812,891	223,614,343	452,427,234
2011	131,004,169	25,595,000	63,169,091	9,085,000	2,041,432	2,055,000	232,949,692	220,761,360	453,711,053
2012	130,313,399	26,735,000	36,347,441	9,555,000	2,947,861	2,170,000	208,068,702	246,797,039	454,865,741
2013	133,662,124	28,145,000	36,411,366	10,095,000	3,797,354	2,305,000	214,415,844	244,451,918	458,867,762
2014	141,189,306	29,600,000	35,906,812	10,705,000	4,594,695	2,440,000	224,435,813	237,428,210	461,864,023
2015	139,196,038	4,850,000	36,149,751	11,415,000	5,347,832	2,590,000	199,548,621	237,523,371	437,071,993
2016	140,250,000	-	45,756,956	12,020,000	6,063,337	2,750,000	206,840,293	222,324,801	429,165,094
2017	125,230,000	-	49,980,228	5,488,409	6,716,095	2,915,000	190,329,733	229,008,745	419,338,478
2018	110,470,000	-	49,937,243	5,668,835	4,770,418	3,140,000	173,986,496	237,223,233	411,209,729
2019	97,480,000	-	57,060,083	5,875,462	4,829,442	-	165,244,987	237,157,616	402,402,603
2020	81,435,000	-	65,149,453	6,103,026	5,067,726	-	157,755,206	237,848,912	395,604,118
2021	66,745,000	-	104,087,400	5,405,000	5,279,845	-	181,517,245	201,790,877	383,308,121
2022	61,035,000	-	80,998,012	-	5,472,537	-	147,505,549	237,897,116	385,402,665
2023	48,710,000	-	140,142,495	-	5,651,172	-	194,503,667	193,438,691	387,942,358
2024	41,450,000	-	80,186,436	-	5,813,953	-	127,450,388	253,832,514	381,282,903
2025	40,255,000	-	85,227,449	-	5,916,669	-	131,399,118	249,864,657	381,263,775
2026	38,330,000	-	143,681,189	-	11,715,731	-	193,726,920	187,050,211	380,777,131
2027	32,765,000	-	185,710,836	-	28,327,372	-	246,803,208	130,307,992	377,111,200
2028	29,160,000	-	162,087,687	-	32,430,797	-	223,678,485	152,132,759	375,811,244
2029	8,125,000	-	169,405,321	-	36,915,210	-	214,445,531	143,184,956	357,630,488
2030	5,000,000	-	10,277,690	-	52,405,825	-	67,683,515	291,050,810	358,734,325
2031	-	-	9,145,954	-	75,355,000	-	84,500,954	273,831,221	358,332,175
2032	-	-	8,140,997	-	84,295,000	-	92,435,997	271,068,428	363,504,425
2033	-	-	7,243,844	-	-	-	7,243,844	267,750,831	274,994,675
2034	-	-	6,447,732	-	-	-	6,447,732	268,546,943	274,994,675
2035	-	-	5,737,216	-	-	-	5,737,216	269,257,459	274,994,675
2036	-	-	5,107,150	-	-	-	5,107,150	269,887,525	274,994,675
2037	-	-	4,545,622	-	-	-	4,545,622	270,449,053	274,994,675
2038	-	-	4,043,951	-	-	-	4,043,951	270,950,724	274,994,675
2039	-	-	3,600,523	-	-	-	3,600,523	271,394,152	274,994,675
2040	-	-	3,202,467	-	-	-	3,202,467	271,792,208	274,994,675
2041	-	-	66,137,223	-	-	-	66,137,223	208,857,452	274,994,675
2042	-	-	265,360,000	-	-	-	265,360,000	9,638,738	274,998,738
Total	2,217,998,889	221,260,000	2,224,242,153	129,685,732	452,633,040	29,150,000	5,274,969,814	8,459,961,946	13,734,931,761

Note: Columns may not add due to rounding. Total Interest in 2031 and thereafter is largely comprised of interest on capital appreciation bonds issued by MPEA.

Moral Obligation Bonds

Currently, eight entities in the State may issue moral obligation bonds. The moral obligation pledge generally provides that in the event the authority issuing moral obligation bonds determines that moneys of the authority will be insufficient for the payment of principal and interest on such bonds during the next State fiscal period, the authority shall certify to the Governor the amount required to pay such principal and interest and any amounts withdrawn from bond reserve funds to pay principal and interest on moral obligation bonds. The Governor shall then submit the amounts so certified to the General Assembly. The Governor's recommendations for these and all other State appropriations are a matter of executive discretion. Thus, the moral obligation pledge does not constitute a legally enforceable obligation of the Governor to recommend a State appropriation. Moreover, the General Assembly is not statutorily required to make an appropriation for the amount so certified by the authority, nor must the Governor sign any such appropriation bill if passed by the General Assembly.

Debt evidenced by moral obligation bonds is not debt of the State, and is not secured by any State funds.

Table 19
Moral Obligation Bond Authorities' Debt[1]
(As of June 30, 2005, $ in millions)

Issuing Authority	Moral Obligation Bonds Outstanding
Illinois Housing Development Authority	$111.9
Southwestern Illinois Development Authority	59.6
Quad Cities Regional Economic Development Authority	0.0
Upper River Valley Development Authority	23.9
Tri-County River Valley Development Authority	0.0
Will-Kankakee Regional Development Authority	0.0
Western Illinois Economic Development Authority	0.0
Illinois Finance Authority[2]	55.3
Total	$250.7

[1] The amounts listed include only those bonds issued under the moral obligation pledge.
[2] The Illinois Rural Bond Bank, Illinois Research Park Authority and the Illinois Development Finance authorities were consolidated into the Illinois Finance Authority, which was created on January 1, 2004 pursuant to Public Act 93-205. The Illinois Finance Authority also has the power to issue moral obligation bonds.

From time to time, the State has received notices from certain entities which have issued moral obligation bonds that insufficient monies are available for the payment of principal and interest on one or more series of moral obligation bonds or that amounts withdrawn from bond reserve funds to pay principal and interest on moral obligation bonds have not been replenished. To date, such amounts requested from the State have not been material. The State does not have a legal obligation to pay any such amounts and cannot predict whether appropriations for such amounts will be enacted. No assurance can be given that future requests for state appropriation will not be received by the State or that such requests will not be for material amounts. Further, no assurance can be given that an appropriation would be enacted with respect to such future request.

PENSION SYSTEMS

The State has five Retirement Systems: the State Employees' Retirement System of Illinois (the "*SERS*"), the Teachers' Retirement System of the State of Illinois (the "*TRS*"), the State Universities Retirement System (the "*SURS*"), the Judges Retirement System of Illinois (the "*JRS*"), and the General Assembly Retirement System (the "*GARS*") (collectively, the "*Retirement Systems*"). The Retirement Systems provide benefits upon retirement, death or disability to employees and beneficiaries. The Illinois constitution guarantees that members' retirement benefits, once granted, cannot be diminished or impaired.

Pursuant to the Illinois Pension Code, as amended (the "*Pension Code*"), the State and active employee members of the systems are responsible for funding employer contributions of the Retirement Systems. As of June 30, 2005, the Retirement Systems had an aggregate membership of 308,018 active members, 180,518 inactive members entitled to benefits and 178,416 retired members and beneficiaries. As of June 30, 2005, based upon the most recent available actuarial valuation of the Retirement Systems, the actuarially determined accrued liabilities of the Retirement Systems were approximately $97.2 billion, the fair market value of their assets was approximately $58.6 billion, and the aggregate Unfunded Accrued Actuarial Liability ("*UAAL*") with respect to the Retirement Systems was approximately $38.6 billion, representing a funded ratio of 60.3%.

Members of each Retirement System contribute a portion of their annual salary for retirement purposes. The contribution rate ranges from 4 to 12.5 percent depending on the fund to which contributions are deposited and whether or not the member participates in the federal Social Security program. Benefits paid to retirees generally are based on a fixed benefit plan. Under this type of plan, benefits are generally computed as a percentage of final average salary multiplied by the number of years of service of the employee.

The following chart sets forth the number of participants, assets, liabilities and UAAL for each individual Retirement System.

TABLE 20
RETIREMENT SYSTEMS' PENSION FUND STATISTICS

	Participants(As of June 30, 2005)				$ in millions (As of June 30, 2005)		
Retirement System	**Active Members**	**Inactive / Entitled to Benefits**	**Retirees and Beneficiaries**	**Total**	**Assets[1]**	**Liabilities[2]**	**UAAL**
TRS	157,643	88,282	82,491	328,416	$34,085.2	$56,075.0	$21,989.8
SURS	80,102	69,849	39,800	189,751	13,350.2	20,349.9	6,999.7
SERS	69,163	22,260	54,828	146,251	10,494.1	19,304.6	8,810.5
JRS	928	34	900	1,862	565.0	1,236.5	671.5
GARS	182	93	397	672	83.3	212.9	129.6
Total	308,018	180,518	178,416	666,952	$58,577.8	$97,178.9	$38,601.1

[1] Net assets are reported at fair market value per Governmental Accounting Standards Board Statement 25.
[2] Actuarially determined accrued cost of projected benefits.

STATE LAW REQUIREMENTS FOR RETIREMENT SYSTEMS FUNDING

State law regulates the State's funding of the Retirement Systems. Public Act 88-593, effective July 1, 1995, created a funding schedule for the Retirement Systems that would become actuarially-based in 2011 with an ultimate goal of achieving 90 percent funding of Retirement System liabilities in 2045. In fiscal years 2011 through 2045, the State's contribution is scheduled to level off to an equal percentage of payrolls as necessary to amortize 90 percent of the Retirement Systems' unfunded liabilities by the end of the 50-year period (1995 to 2045). The legislation also provided for continuing appropriations to the Retirement Systems beginning in fiscal year 1996. This provision requires the State to provide contributions to the Retirement Systems without being subject to the annual appropriation process. In the event that the General Assembly fails to appropriate the amounts certified by the Retirement Systems, Public Act 88-593 provides for payments to be made by the Comptroller and the Treasurer, in amounts sufficient to meet the requirements of such Act.

PUBLIC ACT 94-4

Public Act 94-4, effective June 1, 2005 (the "*Act*"), made certain reductions to plan benefit provisions and consequent funding requirements. The Act prohibits all new benefit increases unless there is a specifically identified adequate additional funding source upon adoption of the benefit. The Act also provides that all benefit increases expire five years after their effective date, unless extended by action of the General Assembly.

The Act provides for significant changes in benefits. The Act eliminated the Money Purchase Option in TRS and SURS for participants employed after July 1, 2005. The Money Purchase Option provided that a member is entitled to an annuity computed under the defined benefit formula or the Money Purchase Option, whichever is greater. The Money Purchase Option matches employee contributions at 140%. That sum is converted to an actuarially equivalent annuity. The Act also requires local employers to fund the additional cost of pension benefits attributable to pay increases greater than 6% during the final four years of employment. Prior to the Act, the State was responsible for funding the full cost of pensions, with pay increases limited to a maximum of 20% per year.

The independent actuaries for each of the Retirement Systems prepared estimates of the cost and unfunded liability impacts of the Act reflecting the above changes but did not include the additional benefit changes summarized below. Deloitte Consulting, the consulting actuary advising the Governor's Pension Commission and the Governor's Office of Management & Budget, has reviewed the estimates of the Retirement Systems actuaries. Deloitte Consulting reports however, since these estimates did not include all of the benefit changes, they would not be the most appropriate estimate.

The Act also provided an Early Retirement Option (ERO) for TRS to replace the ERO that expired June 30, 2005. In comparison to the expiring ERO, the new ERO significantly increased required member and school district contributions and increased the service requirement for unreduced benefits from 34 to 35 years. However, TRS members who notified their employers by June 1, 2005 of their intent to participate in the prior ERO, can still do so if they retire by July 1, 2007.

The Act also required local employers to pay the normal cost related to sick leave granted in excess of the normal allotment. The Act shifted responsibility for setting the interest rate for the SURS Money Purchase Option from the SURS Board to the Illinois Comptroller. The Act provides for fiscal year 2006 and 2007 contributions. Total payments for those two years are $1,431.7 million and $1,868.9 million respectively, inclusive of debt service (approximately $496 million each year) on the Pension Obligation Bonds proceeds that were received by the pension funds in fiscal years 2003 and 2004.

In August of 2005, the independent actuary advising the Commission on Government Forecasting and Accountability ("*CGFA*") reported the projected effects of benefit changes in PA94-4 to both the future accrued actuarial liability as well as annual contributions of the State over time. Exclusive of savings associated with the interest rate assumption of the money purchase formula, as well as savings associated with the sick/leave exclusion, the actuary estimated (when including all other changes listed above) there would be a $42.8 billion reduction in the pension liability, and that total State contributions, between fiscal year 2005 and fiscal year 2045, would change from $301.2 billion (pre-PA94-4) to $302.2 billion, a cost difference of $947 million over 40 years. Deloitte Consulting reports however, since these estimates did not include all of the benefit changes, they would not be the most appropriate estimate.

The actuary advising CGFA further reviewed the interest rate assumption of the Money Purchase formula for the State University Retirement System (SURS). Based upon the existing long-term 9% assumption used by SURS, the actuary advising the CGFA estimated the impact of changing that assumption to either 6% (the statutory rate for the Teachers Retirement System) or 7.5% (the midpoint of the range). Using the 7.5% assumption, the overall estimated net impact of the Act would be a cumulative savings in contributions (including all of the above except sick leave savings) over the remaining forty-year funding period in excess of $3 billion, as reported by the actuary advising CGFA. Under the 6% assumption, the overall estimated net savings of the Act would be approximately $7 billion over the same funding period. (For a summary of the actuary's findings, see the August 2005 Monthly Revenue Briefing at: http://www.ilga.gov/commission/cgfa/cgfa_home.html).

Pursuant to its new statutory role under the Act, the Comptroller's Office has engaged a consulting actuary to develop a methodology for estimating the effective rate of interest to be used for the Money Purchase formula of SURS. That actuary reported that SURS assets could expect to earn a long-term return in future years of 7%, net of costs. The actuary adjusted this prospective rate of 7% to reflect historical performance of the SURS fund in arriving at the recommended effective rate of interest of 7.76%. Based on that report, on August 31, 2005, the Comptroller set the one-year Money Purchase interest rate at 8% for 2007, while not changing the 2006 one year rate of 8.5% previously set by the SURS board, citing certain constitutional provisions.

Deloitte Consulting has reviewed the various estimates prepared by the actuaries of each Retirement System, the actuary advising the CGFA, and the consulting actuary to the Comptroller's Office. Of the various estimates presented by these other actuaries, Deloitte Consulting reports that the most appropriate, reasonable and most complete estimate of the net savings associated with the Act is the $3 billion estimate prepared by the actuary advising CGFA. As stated above, that estimate reflects all the changes in the Act and uses a 7.5% interest rate assumption for the Money Purchase Option, though not encompassing any additional savings associated with exclusions of sick leave grants. Deloitte Consulting also reports the most appropriate estimate of the liability savings, associated with this $3 billion in contribution savings, was estimated by the actuary advising CGFA to be approximately $44 billion (or 8%) by the end of fiscal 2045.

The Governor's management and budgetary actions have resulted in the reduction of headcount to its lowest level in more than 30 years. In addition to the annual payroll savings this headcount reduction effort has generated, SERS, in their 6/30/05 actuarial valuation, recognized savings of approximately $5 billion in state contribution requirements between fiscal year 2006 and 2045 as a result of this effort. This $5 billion contribution savings is in addition to the $3 billion discussed above.

ISSUANCE OF GO PENSION FUNDING BONDS AND ALLOCATION OF PROCEEDS

On June 12, 2003, the State issued $10 billion of GO Pension Funding Bonds. The net proceeds of the GO Pension Funding Bonds were used to (i) reimburse the State's General Revenue Fund for a portion of the contributions made to the Retirement Systems for the last quarter of the State's fiscal year 2003, or a total of $300 million, (ii) reimburse the State's General Revenue Fund for the State's contributions to the Retirement Systems for the State's fiscal year 2004, up to a total of $1.86 billion, and (iii) fund a portion of the UAAL for the net balance of the proceeds after capitalized interest and issuance costs, or $7.3 billion. The net proceeds of the GO Pension Funding Bonds were not sufficient to fully fund the UAAL.

FUTURE STATE CONTRIBUTIONS TO RETIREMENT SYSTEMS

Following the receipt of proceeds of the GO Pension Funding Bonds, pursuant to the Pension Code, the State's contributions to the Retirement Systems from the General Revenue Fund for fiscal year 2005 and thereafter will be accordingly decreased by the debt service payments for such fiscal year on the then outstanding GO Pension Funding Bonds to reflect the proceeds already received. The State's contribution for fiscal year 2005 and for each fiscal year thereafter with respect to each Retirement System will not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under the provisions of the Pension Code if such Retirement System had not received its allocation of net proceeds of GO Pension Funding Bonds (other than Reimbursement Amounts) as described in the proceeding paragraph, minus (ii) that portion of the State's total debt service payments for that fiscal year on the GO Pension Funding Bonds that is the same as such Retirement System's portion of the total net proceeds transferred to the Retirement Systems as a whole (other than the Reimbursement Amount).

The State, through its legislation, may modify from time to time its computation methodology for purposes of calculating its net UAAL.

FUNDING FOR RETIREMENT SYSTEMS

One measure of the fiscal condition of retirement systems, the degree of funding or the funding ratio is the ratio of net assets to total liabilities. Table 21 summarizes the degree of funding for the Retirement Systems from fiscal year 2001 through fiscal year 2005.

TABLE 21
PENSION SYSTEMS DEGREE OF FUNDING
FISCAL YEARS ENDING JUNE 30TH 2001-2005
($ IN MILLIONS)

Fiscal Year	Total Assets[1]	Liabilities[2]	Ratio (%)
2001	42,789.3	67,768.9	63.1%
2002	40,252.6	75,198.2	53.5%
2003	40,721.2	83,825.2	48.6%
2004	54,738.9	89,832.4	60.9%
2005	58,577.8	97,178.9	60.3%

[1] Net assets are reported at fair market value per Governmental Accounting Standards Board Statement 25.
[2] Actuarially determined accrued cost of projected benefits.

In fiscal year 2004, in addition to its then current obligations to the Retirement Systems for fiscal year 2004 in the amount of $1.86 billion, the State appropriated approximately $7.3 billion to the Retirement Systems from the proceeds of the GO Pension Funding Bonds previously discussed.

Table 21 reflects the fair market value of the total assets of the Retirement Systems and the actuarially determined accrued cost of projected benefits of the Retirement Systems as of the fiscal years of the State contained therein. The UAAL has increased from time to time as a result of State legislation increasing benefits to participants in the Retirement Systems without funding (this is now prohibited by Public Act 94-4), and increased or decreased based on performance of investments held within each such Retirement System. Notwithstanding the foregoing, no assurance can be given that the Retirement Systems' actuarial assumptions underlying the calculations of total liabilities of the Retirement Systems or underlying the calculations of the total assets of the Retirement Systems due to a reduced reinvestment rate on the Retirement Systems' investment portfolio could not be modified in a material manner from time to time in the future. Such modification could result in a significant increase (or decrease) in the UAAL of the Retirement Systems and, therefore, a significant increase (or decrease) in the obligations of the State. In addition, the UAAL may be affected by certain other factors, including, without limitation, inflation, changes in the Pension Code, and changes in benefits provided or in the contribution rates of the State.

FINANCIAL DATA FOR RETIREMENT SYSTEMS

The tables that follow provide information on the assets, liabilities, income and expenses for each Retirement System for fiscal years 1999 through 2004. The data were obtained from the audited financial statements of the Retirement Systems.

TABLE 22
STATE RETIREMENT SYSTEMS
FISCAL YEAR 2004
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities[1]
Begin, Net Assets[2]	7,502,111.4	23,124,823.1	9,714,547.3	49,676.3	330,053.6	40,721,211.7	190,487.4
Income							
Member contributions	199,826.5	768,661.3	243,824.0	1,596.7	13,720.9	1,227,629.4	31,320.2
State contributions	1,864,673.4	5,361,851.8	1,757,546.9	32,951.8	178,593.1	9,195,617.0	25,769.1
Investment income	1,421,912.5	4,485,729.3	1,832,399.9	11,851.7	74,012.8	7,825,906.2	32,904.6
Other		127,573.4				127,573.4	
Expenditures							
Benefits	978,201.0	2,262,329.4	915,222.5	12,466.0	60,912.9	4,229,131.8	724.8
Refunds	12,442.6	48,019.6	34,453.4	97.8	439.6	95,453.0	4,681.6
Administration	7,693.3	13,560.5	11,516.5	304.7	448.1	33,523.1	
Other			821.1			821.1	
Equity Transfer							
Ending Net Asset Balance	9,990,186.9	31,544,729.3	12,586,304.7	83,208.0	534,579.8	54,739,008.7	275,074.9
Actuarial Liabilities[3]	18,442,664.8	50,947,451.0	19,078,583.0	207,592.7	1,156,093.0	89,832,384.5	N/A
Unfunded Accrued Liability	8,452,477.9	19,402,721.7	6,492,278.3	124,384.7	621,513.2	35,093,375.8	N/A
Asset/Liability Ratio	54.2%	61.9%	66.0%	40.1%	46.2%	60.9%	N/A

[1]The Self Managed Plan (SMP) under the State Universities Retirement System is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.

[2]Reflects valuation of assets on a market basis as of June 30, 1996, per GASB Statement 25.

[3]Actuarially determined accrued benefit costs.

Note: Numbers may not add due to rounding

TABLE 23
STATE RETIREMENT SYSTEMS
FISCAL YEAR 2003
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities[1]
Begin, Net Asset Balance2	7,673,892.7	22,366,284.8	9,814,676.6	54,050.6	343,659.3	40,252,564.0	134,753.7
Income	696,296.3	2,814,134.9	780,905.0	7,154.8	44,119.0	4,342,610.0	60,404.3
Member contributions	285,209.3	732,020.5	245,243.1	1,954.2	12,905.0	1,277,332.1	30,658.0
State contributions	396,067.2	929,709.8	249,329.8	5,163.0	31,373.0	1,611,642.8	20,316.2
Investment income	15,019.8	1,060,852.1	250,398.3	(233.1)	(226.1)	1,325,811.0	4,993.2
Other	0.0	91,552.5	35,933.8	270.7	67.1	127,824.1	4,436.9
Expenditures	868,077.6	2,055,596.4	882,076.0	11,529.1	57,724.7	3,875,003.8	3,628.9
Benefits	831,486.6	1,998,622.3	836,661.7	11,131.5	56,714.5	3,734,616.6	670.5
Refunds	28,369.8	43,114.7	32,218.8	106.7	582.5	104,392.5	2,958.4
Administration	8,221.2	13,859.4	11,913.0	290.9	427.7	34,712.2	0.0
Other	0.0	0.0	1,282.5	0.0	0.0	1,282.5	0.0
Equity Transfer			1,041.7				(1,041.7)
Ending Net Asset Balance	7,502,111.4	23,124,823.3	9,714,547.3	49,676.3	330,053.6	40,721,211.9	190,487.4
Actuarial Liabilities3	17,593,980.0	46,933,432.0	18,025,032.0	196,510.1	1,076,232.0	83,825,186.1	N/A
Unfunded Accrued Liability	10,091,868.6	23,808,608.7	8,310,484.7	146,833.8	746,178.4	43,103,974.2	N/A
Asset/Liability Ratio	42.6%	49.3%	53.9%	25.3%	30.7%	48.6%	N/A

[1]The Self Managed Plan (SMP) under the State Universities Retirement System is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.

[2]Reflects valuation of assets on a market basis as of June 30, 1996, per GASB Statement 25.

[3]Actuarially determined accrued benefit costs.

Note: Numbers may not add due to rounding.

TABLE 24
STATE RETIREMENT SYSTEMS
FISCAL YEAR 2002
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities[1]
Begin, Net Asset Balanced[2]	8,276,661.4	23,315,646.1	10,753,296.9	61,997.8	381,733.6	42,789,335.8	101,943.4
Income	36,920.6	864,522.7	(143,600.4)	2,359.0	15,525.4	775,727.3	33,685.8
Member contributions	196,915.4	681,151.8	251,573.7	1,552.3	12,487.3	1,143,680.5	25,904.0
State contributions	386,116.6	814,793.8	221,537.7	4,678.0	27,532.0	1,454,604.1	18,886.3
Investment income	(546,111.4)	(723,987.0)	(651,298.4)	(3,914.8)	(24,493.9)	(1,949,805.5)	(15,185.7)
Other	0.0	92,618.1	34,586.6	43.5	0.0	127,248.2	4,081.2
Expenditures	639,689.3	1,813,884.0	793,470.0	10,306.2	53,599.7	3,310,949.2	2,425.4
Benefits	617,918.5	1,759,748.7	743,267.1	9,953.2	52,822.3	3,183,709.8	2.8
Refunds	14,147.2	38,755.6	37,040.4	68.2	353.2	90,364.6	2,422.6
Administration	7,623.6	13,487.4	11,868.0	284.8	424.2	33,688.0	0.0
Other	0.0	1,892.3	1,294.5	0.0	0.0	3,186.8	0.0
Equity Transfer			(1,549.9)				1,549.9
Ending Net Asset Balance	7,673,892.7	22,366,284.8	9,814,676.6	54,050.6	343,659.3	40,252,564.0	134,753.7
Actuarial Liabilities[3]	14,291,044.6	43,047,674.0	16,654,041.0	184,582.5	1,020,846.8	75,198,188.9	N/A
Unfunded Accrued Liability	6,617,151.9	20,681,389.2	6,839,364.4	130,531.9	677,187.5	34,945,624.9	N/A
Asset/Liability Ratio	53.7%	52.0%	58.9%	29.3%	33.7%	53.5%	N/A

[1]The Self Managed Plan (SMP) under the State Universities Retirement System is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.

[2]Reflects valuation of assets on a market basis as of June 30, 1996, per GASB Statement 25.

[3]Actuarially determined accrued benefit costs.

Note: Numbers may not add due to rounding

TABLE 25
STATE RETIREMENT SYSTEMS
FISCAL YEAR 2001
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities[1]
Begin, Net Asset Balance[2]	8,910,900.7	24,481,412.6	12,063,949.6	70,471.4	422,933.7	45,949,668.0	73,412.4
Income	(72,495.0)	449,933.5	(584,898.7)	1,068.6	8,175.1	(198,216.5)	28,605.1
Member contributions	173,778.7	643,563.3	221,581.5	1,407.6	12,291.1	1,052,622.2	20,218.7
State contributions	366,029.0	724,007.8	216,349.1	4,305.0	24,218.0	1,334,908.9	16,254.9
Investment income	(612,302.7)	(1,015,255.2)	(1,053,627.0)	(4,650.9)	(28,464.9)	(2,714,300.7)	(11,043.1)
Other	0.0	97,617.6	30,797.7	6.9	130.9	128,553.1	3,174.6
Expenditures	561,744.2	1,615,700.0	723,227.5	9,542.2	49,375.3	2,959,589.2	2,600.6
Benefits	537,591.7	1,566,793.2	664,792.8	9,228.0	48,330.8	2,826,736.5	48.2
Refunds	17,012.2	35,849.1	45,747.1	37.8	633.6	99,279.8	2,552.4
Administration	7,140.3	12,640.6	11,185.2	276.4	410.9	31,653.3	0.0
Other	0.0	417.1	1,502.5	0.0	0.0	1,919.6	0.0
Equity Transfer			(2,526.4)				2,526.4
Ending Net Asset Balance	8,276,661.4	23,315,646.1	10,753,296.9	61,997.8	381,733.6	42,789,335.8	101,943.4
Actuarial Liabilities[3]	12,572,240.1	39,166,697.0	14,915,317.0	177,546.1	937,091.5	67,768,891.8	N/A
Unfunded Accrued Liability	4,295,578.8	15,851,050.9	4,162,020.1	115,548.3	555,357.9	24,979,556.0	N/A
Asset/Liability Ratio	65.8%	59.5%	72.1%	34.9%	40.7%	63.1%	N/A

[1]The Self Managed Plan (SMP) under the State Universities Retirement System is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.

[2]Reflects valuation of assets on a market basis as of June 30, 1996, per GASB Statement 25.

[3]Actuarially determined accrued benefit costs.

Note: Numbers may not add due to rounding

TABLE 26
STATE RETIREMENT SYSTEMS
FISCAL YEAR 2000
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities[1]
Begin, Net Asset Balance[2]	7,986,433.0	22,237,709.0	10,761,726.3	66,832.5	389,761.9	41,442,462.7	31,302.9
Income	1,436,928.2	3,686,437.2	1,957,900.1	12,830.2	78,265.4	7,172,361.1	37,289.7
Member contributions	164,792.4	619,622.8	222,459.5	1,317.5	12,005.4	1,020,197.6	15,554.0
State contributions	340,872.5	639,298.9	212,478.8	3,951.0	21,388.0	1,217,989.2	12,108.2
Investment income	931,263.3	2,336,217.1	1,494,329.6	7,561.7	44,848.4	4,814,220.1	7,007.8
Other	0.0	91,298.4	28,632.2	0.0	23.6	119,954.2	2,619.7
Expenditures	512,460.5	1,442,733.6	649,306.8	9,191.3	45,093.6	2,658,785.8	1,550.2
Benefits	489,915.4	1,402,246.0	590,206.2	8,840.7	44,218.7	2,535,427.0	12.9
Refunds	15,931.3	28,797.1	46,801.0	97.6	498.2	92,125.2	1,537.3
Administration	6,613.8	11,680.6	10,901.9	253.0	376.7	29,826.0	0.0
Other		9.9	1,397.7	0.0	0.0	1,407.6	0.0
Equity Transfer			(6,370.0)				6,370.0
Ending Net Asset Balance	8,910,900.7	24,481,412.6	12,063,949.6	70,471.4	422,933.7	45,949,668.0	73,412.4
Actuarial Liabilities[3]	10,912,987.9	35,886,404.0	13,679,039.0	169,362.9	871,153.4	61,518,947.2	N/A
Unfunded Accrued Liability	2,002,087.2	11,404,991.4	1,615,089.4	98,891.5	448,219.7	15,569,279.2	N/A
Asset/Liability Ratio	81.7%	68.2%	88.2%	41.6%	48.5%	74.7%	N/A

[1]The Self Managed Plan (SMP) under the State Universities Retirement System is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.

[2]Reflects valuation of assets on a market basis as of June 30, 1996, per GASB Statement 25.

[3]Actuarially determined accrued benefit costs.

Note: Numbers may not add due to rounding

TABLE 27
STATE RETIREMENT SYSTEMS
FISCAL YEAR 1999
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities[1]
Begin, Net Asset Balanced[2]	7,064,494.8	19,965,887.4	9,792,000.0	62,737.6	356,692.9	37,241,812.7	1,678.0
Income	1,383,227.0	3,592,632.8	1,552,871.5	12,797.1	74,572.3	6,616,100.7	15,661.0
Member contributions	159,580.2	866,375.9	212,965.7	1,413.7	11,270.1	1,251,605.6	6,709.3
State contributions	315,525.0	572,950.6	212,393.6	3,592.0	18,688.8	1,123,150.0	5,238.6
Investment income	908,121.8	2,089,661.0	1,102,031.7	7,683.6	44,613.4	4,152,111.5	2,518.2
Other	0.0	63,645.3	25,480.5	107.8	0.0	89,233.6	1,194.9
Expenditures	461,288.8	1,320,811.2	568,587.5	8,702.2	41,503.3	2,400,893.0	593.8
Benefits	440,842.4	1,284,126.6	525,966.1	8,333.7	40,851.6	2,300,120.4	0.0
Refunds	14,012.5	25,858.9	31,329.9	129.4	296.1	71,626.8	593.8
Administration	6,433.9	10,680.1	9,991.2	239.1	355.6	27,699.9	0.0
Other		145.6	1,300.3	0.0	0.0	1,445.9	0.0
Equity Transfer			(14,557.7)				14,557.7
Ending Net Asset Balance	7,986,433.0	22,237,709.0	10,761,726.3	66,832.5	389,761.9	41,442,462.7	31,302.9
Actuarial Liabilities[3]	9,998,205.0	33,205,513.0	12,617,495.0	160,870.8	805,587.2	56,787,671.0	N/A
Unfunded Accrued Liability	2,011,772.0	10,967,804.0	1,855,768.7	94,038.3	415,825.3	15,345,208.3	N/A
Asset/Liability Ratio	79.9%	67.0%	85.3%	41.5%	48.4%	73.0%	N/A

[1]The Self Managed Plan (SMP) under the State Universities Retirement System is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.

[2]Reflects valuation of assets on a market basis as of June 30, 1996, per GASB Statement 25.

[3]Actuarially determined accrued benefit costs.

Note: Numbers may not add due to rounding.

ADDITIONAL INFORMATION

The information contained in this Official Statement is subject to change without notice and no implication may or shall be derived therefrom or from the sale of the Bonds that there has been no change in the affairs of the State or the information contained herein since the dates as of which such information is given. Any statements in this Official Statement involving matters of opinion or estimate, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not be construed as a contract or agreement between the State and the purchasers of any of the Bonds.

FINANCIAL ADVISOR

D.A. Davidson & Co, is acting as financial advisor (the "*Financial Advisor*") to the State in connection with the offering of the Bonds. The Financial Advisor has assisted in the preparation of the Official Statement and in other matters relating to the planning, structuring and issuance of the Bonds.

MISCELLANEOUS

Additional information regarding the Bonds and this Official Statement is available by contacting the Governor's Office of Management and Budget, 108 State Capitol, Springfield, Illinois 62706; telephone: (217) 782-4520.

The State has authorized the distribution of this Official Statement

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

CERTAIN INFORMATION REGARDING THE STATE OF ILLINOIS

Economic Data

Illinois is a state of diversified economic strength. Personal income and workforce composition in Illinois are similar to that of the United States as a whole. Measured by per capita personal income, Illinois ranks fourth among the ten most populous states and fourteenth among all states. Illinois ranks third among all states in total cash receipts from crops, second in feed and grain exports and ranks among the top states in several measures of manufacturing activity. Chicago serves as the transportation center of the Midwest and the headquarters of many of the nation's major corporations and financial institutions. Table A-1 compares the workforce composition of Illinois to that of the United States as a whole. Table A-2 shows the distribution of Illinois non-agricultural employment by industry sector.

TABLE A-1
PAYROLL JOBS BY INDUSTRY
(THOUSANDS)

Industry	Illinois	% Total	US	% Total
Natural resources and Mining	9	0.2%	642	0.5%
Construction	268	4.6%	7,356	5.5%
Information and Financial Activities	521	8.9%	11,178	8.3%
Manufacturing	692	11.8%	14,270	10.7%
Trade, Transportation and Utilities	1,191	20.3%	25,909	19.3%
Professional and Business Services	831	14.1%	17,072	12.7%
Education and Health Services	741	12.6%	17,481	13.0%
Leisure and Hospitality	522	8.9%	12,777	9.5%
Other	257	4.4%	5,462	4.1%
Government	844	14.4%	21,872	16.3%
Total	5,876	100.0%	133,969	100.0%

Source: U.S. Department of Labor, Bureau of Labor Statistics, December 2005.
Note: Columns may not add due to rounding. Beginning in March 2003, the basis for industry classification changed from the 1987 Standard Industrial Classification System to the 2002 North American Classification System.

TABLE A-2
NON-AGRICULTURAL PAYROLL JOBS BY INDUSTRY
(THOUSANDS)

	2002	2003	2004	2005
Total Non-Agricultural Employment	5,895	5,813	5,850	5,887
Natural Resources and Mining	10	9	9	9
Construction	276	270	265	285
Manufacturing	756	720	699	692
Non-Durable Goods	298	287	276	272
Durable Goods	458	433	423	420
Trade, Transportation and Utilities	1,197	1,184	1,201	1,191
Wholesale Trade	306	306	300	298
Retail Trade	633	622	641	632
Transportation and Utilities	258	256	260	261
Information and Financial Activities	549	525	519	521
Professional and Business Services	786	784	799	831
Education and Health Services	711	723	731	741
Leisure and Hospitality	494	497	509	522
Other Services	255	250	257	257
Government	861	857	838	844

Source: U.S. Department of Labor, Bureau of Labor Statistics, December 2005

Beginning in March 2003, the basis for industry classification changed from the 1987 Standard Industrial Classification System to the North America Classification System.

The following sections present pertinent data on Illinois' economy, tax base and employment characteristics.

Agriculture

Illinois is a major agricultural state. Tables A-3 and A-4 summarize key agricultural production statistics.

TABLE A-3
ILLINOIS CASH RECEIPTS FROM CROPS AND LIVESTOCK
($ IN MILLIONS)

	2000	2001	2002	2003	2004	Rank Among States – 2003
Crops	5,312	5,704	5,924	6,490	7,769	2
Livestock	1,710	1,843	1,562	1,800	1,938	24
Total	7,022	7,547	7,486	8,290	9,708	6

Source: U.S. Department of Agriculture-Economic Research Service.

TABLE A-4
AGRICULTURAL EXPORTS, FEDERAL FISCAL YEAR 2004
($ IN MILLIONS)

Agricultural Exports	U.S. Total	Illinois Share	Percent of U.S.	Rank Among States
All Commodities	62,297	3,654	5.87%	3
Feed Grain and Products	8,104	1,340	16.54%	2
Soybeans and Products	9,035	1,398	15.47%	1

Source: U.S. Department of Agriculture-Economic Research Service.

Financial Institutions

Illinois serves as the financial center of the Midwest. The State ranks fourth among all states in total assets for commercial banks. As of March 31, 2005, there were 746 commercial and savings banks in Illinois with total assets of $340.6 billion. Additionally, as of March 31, 2005 there were 55 OTS-regulated and FDIC-insured thrift institutions in Illinois with total assets of $32.2 billion.

Source: Federal Deposit Insurance Corporation and Office of Thrift Supervision.

Contract Construction

Contracts for future construction in Illinois averaged $16.1 billion annually during the period 1994 through 2004 and totaled $20.9 billion in 2004. During the period 1994 through 2004, building permits issued for residential construction averaged 53,000 annually, with an average annual valuation of $6.6 billion. Table A-5 represents annual data on contracts for future construction and residential activity.

TABLE A-5
CONTRACTS FOR FUTURE CONSTRUCTION AND RESIDENTIAL BUILDING

Residential, Non-Residential And Non-Building Contracts For Future Construction[2]		Residential Building Activity (Privately Owned Housing Units)[1]	
Year	**($ in Millions)**	**Permits**	**Valuation ($ in Millions)**
1994	12,008	49,290	5,012
1995	11,726	47,467	4,844
1996	12,667	49,592	5,199
1997	12,703	46,323	5,087
1998	15,000	47,984	5,618
1999	16,450	53,974	6,538
2000	19,945	51,944	6,528
2001	19,393	54,839	7,141
2002	20,653	60,971	8,546
2003	19,033	61,296	9,106
2004	20,976	59,753	9,551
Average	16,141	53,039	6,652

[1] U.S. Department of Commerce, Housing Units Authorized by Building Permits: Annual, various issues
[2] Dodge Division, McGraw-Hill Information System Co.

Personal Income

Per capita income in Illinois is greater than the average in both the United States and the Great Lakes Region. Table A-6 presents personal income data, and Table A-7 presents per capita income comparison.

TABLE A-6
PERSONAL INCOME – 2004
($ IN BILLIONS)

	1990	2000	2001	2002	2003	2004
Illinois	238.5	400.4	410.3	416.0	431.7	441.5
United States	4,861.9	8,442.1	8,703.0	8,900.0	9,380.5	9,703.0

Source: Department of Commerce, Bureau of Economic Analysis, December 2005

TABLE A-7
PER CAPITA PERSONAL INCOME

	1980	1990	2000	2001	2002	2003	2004	Rank
Illinois	$11,005	$20,824	$32,187	$32,782	$33,053	$33,205	$34,725	13
United States	10,114	19,477	29,847	30,527	30,906	31,459	33,041	--
Ten Most Populous States:								
California	$11,707	$24,572	$38,372	$39,077	$39,461	$33,403	$35,172	3
Texas	11,015	23,523	34,900	35,626	35,805	29,076	30,697	9
New York	11,951	21,638	32,466	32,892	32,989	36,296	38,333	2
Florida	10,085	19,687	29,697	30,318	31,116	29,972	31,460	7
Illinois	11,005	20,824	32,187	32,782	33,053	33,205	34,725	4
Pennsylvania	10,314	18,922	29,533	29,499	29,816	31,706	33,257	5
Ohio	9,933	19,564	28,511	29,247	29,758	29,953	31,135	8
Michigan	10,046	18,743	28,208	28,627	29,195	31,196	32,052	6
Georgia	8,420	17,603	27,989	28,555	28,821	29,259	30,074	10
New Jersey	9,880	17,421	28,313	28,943	29,039	40,002	41,636	1
Great Lakes States:								
Illinois	$11,005	$20,824	$32,187	$32,782	$33,053	$33,205	$34,725	1
Michigan	10,046	18,743	28,208	28,627	29,195	31,196	32,052	3
Wisconsin	10,107	18,072	28,573	29,361	30,050	30,723	32,063	2
Ohio	9,933	19,564	28,511	29,247	29,758	29,953	31,135	4
Indiana	9,374	17,491	27,134	27,619	28,032	28,797	30,070	5
Average	10,169	18,810	29,131	29,578	30,029	30,775	31,989	

Source: U.S. Department of Commerce, Bureau of Economic Analysis, December 2005

TABLE A-8
NUMBER OF UNEMPLOYED

	2000	2001	2002	2003	2004	2005*
United States	5,634,000	8,281,000	8,691,000	8,399,000	8,047,000	7,661,000
Illinois	294,494	351,095	417,360	427,347	395,645	342,837
Bloomington-Normal MSA	2,245	2,142	2,522	2,663	3,273	2,934
Champaign-Urbana MSA	2,868	3,242	3,893	4,095	4,205	4,052
Chicago PMSA	207,489	260,733	317,890	317,930	288,838	241,403
Davenport-Moline-Rock Island MSA, IL portion	8,582	8,873	10,217	10,647	10,505	9,216
Decatur MSA	2,966	3,486	4,570	4,183	3,773	2,992
Kankakee MSA	2,487	2,898	3,718	4,072	4,341	2,909
Peoria-Pekin MSA	7,545	11,000	10,209	10,670	9,870	7,777
Rockford MSA	8,106	11,024	13,398	14,742	12,605	10,040
Springfield MSA	3,762	4,028	4,892	5,570	5,779	4,549
St. Louis MSA, IL portion	16,113	17,713	19,660	21,154	21,888	20,397[1]

Source: Bureau of Labor Statistics, December 2005
[1] Most recently available number of unemployed as of August 2005

TABLE A-9
UNEMPLOYED RATE (%)

	2000	2001	2002	2003	2004	2005*
United States	3.9	5.7	6.0	5.7	5.4	5.0
Illinois	4.9	6.0	6.7	6.6	6.0	5.3
Bloomington-Normal MSA	2.5	2.3	2.7	2.9	3.6	3.3
Champaign-Urbana MSA	2.5	2.8	3.4	3.6	3.8	3.3
Chicago PMSA	4.4	5.5	6.8	6.8	6.1	5.1
Davenport-Moline-Rock Island MSA, IL portion	4.3	4.5	5.2	5.5	5.4	4.6
Decatur MSA	5.0	6.1	8.1	7.6	6.9	5.5
Kankakee MSA	4.8	5.6	7.2	7.9	8.3	5.4
Peoria-Pekin MSA	3.9	4.5	5.4	5.7	5.2	4.1
Rockford MSA	4.7	6.5	8.0	8.8	8.4	6.0
Springfield MSA	3.5	3.8	4.6	5.4	5.5	4.0
St. Louis MSA, IL portion	5.1	5.6	6.2	6.7	6.8	5.3

* Data through November 2005
Source: U.S. Department of Labor, Bureau of Labor Statistics

According to the Illinois Department of Employment Security, the aggregate unemployment rate for the State of Illinois as of November 2005 is 5.3%.

Population

Illinois is the nation's fifth most populous state.

TABLE A-10
POPULATION: ILLINOIS AND SELECTED METROPOLITAN STATISTICAL AREAS

	1980	1990	2000
Illinois	11,427,409	11,430,602	12,419,293
Chicago CMSA (IL Part)	7,348,874	7,507,113	8,272,768
St. Louis MSA (IL Part)	588,464	588,995	599,845
Rockford MSA	325,852	329,626	371,236
Peoria MSA	365,864	339,172	347,387
Springfield MSA	187,770	189,550	201,437
Champaign-Urbana MSA	168,392	173,025	179,669

Source: U.S. Bureau of the Census. (Populations for 1980 and 1990 reflect Metropolitan Statistical Area definitions as of June 30, 1993)

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

January 18, 2006

State of Illinois
State Capitol
Springfield, Illinois

Dear Sirs:

We have examined a record of proceedings relating to the issuance of $325,000,000 principal amount of General Obligation Bonds, Series of January 2006 (the "*Bonds*"), of the State of Illinois. The Bonds are authorized and issued pursuant to the provisions of Section 9(b) of Article IX of the Illinois Constitution of 1970, and the General Obligation Bond Act, 30 Illinois Compiled Statutes 330.

The Bonds are issuable in the form of fully registered bonds in the denominations of $5,000 or any integral multiple thereof. Bonds delivered on original issuance are dated January 18, 2006. The Bonds mature on January 1 in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest from their date payable on July 1, 2006 and semiannually thereafter on January 1 and July 1 of each year, at the respective rate of interest per annum set forth opposite such year:

Year	Principal Amount	Interest Rate
2007	$13,000,000	5.00%
2008	13,000,000	5.00%
2009	13,000,000	5.00%
2010	13,000,000	5.00%
2011	13,000,000	5.00%
2012	13,000,000	5.00%
2013	13,000,000	5.00%
2014	13,000,000	5.00%
2015	13,000,000	5.00%
2016	13,000,000	5.00%
2017	13,000,000	5.00%
2018	13,000,000	5.00%
2019	13,000,000	5.00%
2020	13,000,000	5.00%
2021	13,000,000	5.00%
2022	13,000,000	5.00%
2023	13,000,000	5.00%
2024	13,000,000	5.00%
2025	13,000,000	5.00%
2026	13,000,000	5.00%
2027	13,000,000	5.00%
2028	13,000,000	5.50%
2029	13,000,000	5.50%
2030	13,000,000	5.50%
2031	13,000,000	5.50%

The Bonds maturing in the years 2017 to 2027, both inclusive, are subject to redemption prior to maturity at the option of the State, in such principal amounts and from such maturities as the State shall determine, and by lot within a single maturity, on January 1, 2016 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

In our opinion, the Bonds are valid and legally binding direct and general obligations of the State of Illinois and the full faith and credit of the State are pledged for the punctual payment of the Bonds and the interest thereon. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are of the opinion that under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "*Code*"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The State has covenanted to comply with these requirements.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

APPENDIX C

GLOBAL BOOK-ENTRY SYSTEM

The Depository Trust Company ("*DTC*"), New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co., (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com or www.dtc.org.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co., or such other nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments (including redemption proceeds) on the Certificates will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the State or the Treasurer of the State, as Certificate registrar and paying agent for the Certificates ("*Certificate Registrar*"), on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Certificate Registrar, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest (including redemption proceeds) to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Certificate Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the State or the Certificate Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Certificate certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificate certificates will be printed and delivered to DTC.

The information in this Official Statement concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

APPENDIX D

CONTINUING DISCLOSURE UNDERTAKING

The following is a summary of certain provisions of the Undertaking of the State and does not purport to be complete. The statements made under in this Appendix D are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the GOMB.

ANNUAL FINANCIAL INFORMATION DISCLOSURE

The State covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (as described below) to each NRMSIR then recognized by the SEC for purposes of the Rule and to the repository, if any, designated by the State as the state depository (the "*SID*") and recognized as such by the SEC for purposes of the Rule. The State is required to deliver such information so that such entities receive the information by the dates specified in the Undertaking and described below.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents, including other official statements (subject to the following sentence), which have been submitted to each NRMSIR and to the SID, if any, or filed with the SEC. If the information included by reference is contained in a final official statement, the final official statement must be submitted by the State to the Municipal Securities Rulemaking Board (the *"MSRB"*).

"*Annual Financial Information*" means financial information and operating data of the type contained herein (i) in Tables 1 through 3 and 6 under the heading "State Financial Information", (ii) in Tables 7, 8, 11, 12 and 18 under the heading "Indebtedness", and (iii) in Tables 21 and 22 under the heading "PENSION SYSTEMS." Annual Financial Information exclusive of Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, by 210 days after the last day of the State's fiscal year, which is currently June 30 of each year.

"*Audited Financial Statements*" means the General Purpose Financial Statements of the State prepared in accordance with generally accepted accounting principles applicable to governmental units. Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, within 30 days after availability to the GOMB. Audited Financial Statements are also available from the Comptroller as described in this Official Statement under the heading "State Financial Information—GAAP Financial Report."

MATERIAL EVENTS DISCLOSURE

The State covenants that it will disseminate to each Nationally Recognized Municipal Securities Information Repository (a "*NRMSIR*") then recognized by the SEC for purposes of the Rule or to the Municipal Securities Rulemaking Board (the "*MSRB*") and to the repository, if any, designated by the State as the state depository (the "*SID*") in a timely manner the disclosure of the occurrence of an Event (as described below) with respect to the Bonds that is material, as materiality is interpreted under the Securities Exchange Act of 1934, as amended. The "Events", certain of which may not be applicable to the Bonds, are:

- principal and interest payment delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions or events affecting the tax-exempt status of the security;
- modifications to the rights of security holders;
- bond calls;
- defeasances;
- release, substitution or sale of property securing repayment of the securities; and
- rating changes.

CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION

The State will give timely notice to each NRMSIR or to the MSRB and to the SID, if any, of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when they are due under the Undertaking.

If the State fails to comply with any provision of the Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the State to comply with its obligations under the Undertaking. A default under the Undertaking shall not be deemed a default under the Bond Sale Order, and the sole remedy under the Undertaking in the event of any failure of the State to comply with the Undertaking shall be an action to compel performance.

AMENDMENT; WAIVER

Notwithstanding any other provision of the Undertaking, the State by a duly enacted order authorizing such amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the State, or type of business conducted;

(b) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by a party unaffiliated with the State (such as bond counsel).

TERMINATION OF UNDERTAKING

The Undertaking shall be terminated if the State no longer has any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Sale Order. The State shall give timely notice to each NRMSIR or to the MSRB and to the SID, if any, if there is such a termination.

ADDITIONAL INFORMATION

Nothing in the Undertaking will be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a material Event, in addition to that which is required by the Undertaking. If the State chooses to include any information from any document or notice of occurrence of a material Event in addition to that which is specifically required by the Undertaking, the State will have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a material Event.

DISSEMINATION AGENT

The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]