OFFICIAL NOTICE OF CERTIFICATE SALE AND BID FORM

STATE OF ILLINOIS

$1,000,000,000

STATE OF ILLINOIS, GENERAL OBLIGATION CERTIFICATES OF NOVEMBER, 2005

ROD R. BLAGOJEVICH
Governor

JOHN B. FILAN
Director, Governor's Office of Management and Budget

Bids Will Be Received Via PARITY Until
11:00 A.M. Central Standard Time
November 15, 2005
As Described Herein

Bond Counsel
PUGH, JONES, JOHNSON & QUANDT, P.C.

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OFFICIAL NOTICE OF CERTIFICATE SALE
$1,000,000,000
STATE OF ILLINOIS
GENERAL OBLIGATION CERTIFICATES OF NOVEMBER, 2005

NOTICE is hereby given that sealed bids will be received by the Director of the Governor's Office of Management and Budget (the *"GOMB"*) of the State of Illinois (the *"State"*) until the hour of 11:00 A.M. (Central Standard Time) on Thursday, November 15, 2005, via PARITY, in the manner described below, for the purchase of the following described certificates of the State:

> $1,000,000,000 State of Illinois, General Obligation Certificates of November, 2005 (the "*Certificates*"). The Certificates will be dated the date of issuance thereof, and will be issued in fully registered form, without coupons. The Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (*"DTC"*), New York, New York, which will act as securities depository for the Certificates. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 and any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Certificates purchased unless the book-entry system is terminated. See "APPENDIX C —GLOBAL BOOK-ENTRY SYSTEM" in the Preliminary Official Statement relating to the Certificates (the *"Preliminary Official Statement"*). Of the aggregate principal amount of the Certificates, $275,000,000 will mature on March 30, 2006; $450,000,000 will mature on April 28, 2006; $150,000,000 will mature on May 30, 2006; and $125,000,000 will mature on June 30, 2006. Bids will be received for the purchase of individual maturities as described below under the heading "BIDDING DETAILS."

Interest on the Certificates will be payable only at maturity and will be computed on the basis of a 360-day year of twelve 30-day months. Both principal and interest will be paid by the State Treasurer to DTC, which will remit such principal and interest to DTC's Participants, who in turn will be responsible for remitting such payments to the Beneficial Owners of the Certificates, as more fully described in the Preliminary Official Statement.

Bids for each individual maturity shall be submitted electronically via PARITY pursuant to this Official Notice of Certificate Sale until the time specified above, but no bid will be received after the time for receiving bids specified above. **Any prospective bidder that intends to submit a bid must submit its bid through PARITY, no in-person or faxed bids will be accepted.** Subscription to I-Deal's PARITY Competitive Bidding System is required in order to submit an electronic bid. The State will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed to incorporate the provisions of this Official Notice of Certificate Sale and the Official Bid Form. Any such electronic bid shall be deemed to constitute an irrevocable offer to purchase the Certificates for which a bid is submitted on the terms provided herein and shall be binding upon the Purchasers (hereafter defined). The State shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Official Notice of Certificate Sale shall conflict with any instructions or directions set forth in PARITY, the terms of this Notice shall control. For further information about PARITY, potential bidders may contact PARITY at (212) 404-8102. The State shall not be responsible for any fees or charges imposed in connection with the use of PARITY.

SECURITY

The Short Term Borrowing Act, 30 ILCS 340/1 *et seq.* (the *"Act"*) of the State, pursuant to which the Certificates are being issued, constitutes an appropriation out of any money in the State Treasury of an amount sufficient to pay the principal of and interest on the Certificates as the same become due.

The anticipated sources of funds to repay the principal of and interest on the Certificates when due and the anticipated schedule of transfers of such funds to the GOBR&I Fund (as defined in the Preliminary Official Statement) to provide for such payment is set forth in Table 4 of the Preliminary Official Statement.

RATINGS AND BOND INSURANCE

The State has applied to Moody's Investor Service, Inc., Standard & Poor's Rating Services and Fitch Ratings for underlying short-term ratings on the Certificates. Notification of the underlying short-term ratings on the Certificates shall be made via TM3 wire (if such ratings are not directly released via TM3 wire by one or more of the rating agencies) simultaneously with the dollar amount of the costs of issuance (described in the BIDDING DETAILS herein) to be paid by the Purchaser of the Certificates maturing on April 28, 2006.

The State is not securing the Certificates with bond insurance or any other form of credit enhancement.

Bidders, at their own expense, may elect to insure the Certificates, and such insurance may be obtained from one or more bond insurance providers identified on the Official Bid Form.

The Purchasers agrees to disclose to the State the cost of any such insurance obtained from each (if more than one) insurance provider used. The Purchasers must certify to the net interest cost benefit from the use of bond insurance, as more fully described in the form of Certification of Purchaser attached hereto as Exhibit I. Insured ratings with the use of bond insurance, if required, are to be applied for by the Purchasers, and costs incurred for such ratings must be paid at the Purchasers' expense.

BIDDING DETAILS

The Certificates will be awarded on a maturity by maturity basis. Bidders may submit bids for any one or more of the maturities of the Certificates as provided herein. The Certificates of each maturity will be awarded to the bidder making a bid conforming to the terms of this offering that produces the lowest total interest cost ("TIC") to the State for the Certificates of such maturity, determined as follows: The TIC is the discount rate (expressed a per-annum percentage rate) which, when used in computing the present value of all principal and interest to be paid on each maturity of the Certificates, from the scheduled payment date back to the date of delivery, produces a present value amount equal to the price bid, including premium, if any to the date of delivery. No proposal for less than the par amount of the Certificates of any maturity will be considered. No proposal for the purchase of any maturity of the Certificates will be considered which does not offer to purchase all of the Certificates of such maturity. For information purposes only, and not for consideration as part of the bid, the net interest cost and net interest rate for each maturity of the Certificates for which a bid is submitted shall be specified in such bid, including bids submitted electronically via Parity. In the event of more than one proposal specifying the lowest net interest cost for the Certificates of any maturity, the Certificates of such maturity will be awarded to the bidder whose proposal is selected by lot by the Director from among all such proposals.

Bidders for any maturity of the Certificates are to specify a rate of interest per annum to be paid on the Certificates of each such maturity, subject to the following limitations:

(i) all Certificates of the same maturity date must bear the same rate of interest and no one Certificate shall bear more than one rate of interest; and

(ii) no interest rate shall be other than a whole multiple of one-eighth or one-twentieth of one percent, a zero rate of interest may not be named, and no rate of interest may exceed the greater of 9% per annum or 125% of the rate for the most recent date shown in the 20 G.O. Bonds Index of average municipal bond yields as published in the most recent edition of The Bond Buyer, published in New York, New York, at the time the contract is made for the sale of the Certificates.

(iii) the Initial Reoffering Price (as defined below) of any maturity of the Certificates shall not be less than 100% of its par value.

Each bid must be accompanied by a good faith deposit (the *"Deposit"*) in the form of either (i) a certified check or cashier's check drawn on a solvent bank or trust company authorized to transact business in the State or (ii) a financial surety bond from an insurance company licensed to issue such a bond in the State and acceptable to the State. The Deposit shall be payable to the order of the State Treasurer in an amount equal to 1% of the principal amount for each maturity of the Certificates for which a bid is being submitted. Good faith checks with respect to bids which are not accepted shall be promptly returned. Any good faith checks must be submitted to the GOMB, in care of Robert Crossen, 603 Stratton Building, Springfield, Illinois 62706, (217-782-7977), prior to the opening of the bids. Any financial surety bond must be submitted to the GOMB prior to the opening of the bids, and must identify each bidder whose Deposit is guaranteed by such financial surety bond. If the Certificates are awarded to a bidder that submitted a financial surety bond, then such Purchasers shall submit its Deposit to the State in the form of a certified check or cashier's check, as described above, or wire transfer such amount as instructed by the GOMB, not later than 2:00 p.m., Central Standard Time, on the first business day following the award of the Certificates. If such Deposit is not received by such time, the financial surety bond may be drawn by the State to satisfy the Deposit requirement.

The State may, as security for the faithful performance by the Purchasers of its obligation to take up and pay for the Certificates when tendered, cash the check of the Purchasers. The State may hold the proceeds of any Deposit or invest the same (at the State's risk) in obligations that mature at or before the delivery of the Certificates, until disposed of as follows: (a) at the delivery of the Certificates and upon compliance with the Purchasers' obligation to take up and pay for the Certificates, the full amount of the Deposit held by the State, without adjustment for interest, shall be applied toward the purchase price of the Certificates at that time, and the full amount of any interest earnings thereon shall be retained by the State, and (b) if the Purchasers fails to take up and pay for the Certificates when tendered, the full amount of the Deposit plus any interest earnings thereon will be forfeited to the State as liquidated damages.

Action awarding the Certificates or rejection of all bids will be taken no later than three (3) hours after expiration of the time prescribed in this Notice for the receipt of bids. Notice of award will be given promptly to the Purchasers. The right is reserved to reject any or all bids and to waive any irregularity or informality in any bid.

The Purchasers will be required to provide the State within two (2) hours after the award of the Certificates the initial offering price of the Certificates to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) (the *"Initial Reoffering Prices"*). The Purchasers will be required to confirm to the State within 24 hours after the award of the Certificates the first offering prices at which more than 10% of the principal amount of the Certificates has been sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The Purchasers shall make a bona fide public offering of the Certificates at the Initial Reoffering Prices and will be required to provide a certificate at closing confirming the Initial Reoffering Prices for purposes of complying with Section 148 of the Internal Revenue Code of 1986, as amended. Such form of certificate is attached as Exhibit I to this Notice and is entitled "Certification of Purchaser."

The purchaser of the Certificates maturing on April 28, 2006, shall be responsible for the payment of all costs of issuance including the fees of PUGH, JONES, JOHNSON & QUANDT, P.C., Chicago, Illinois (*"Bond Counsel"*), the financial and fiscal advisors, the rating agencies, the cost of advertising, the cost of the Parity bidding system and printing expenses. Prior to the date of sale, the State will advise prospective bidders by TM3 wire of the aggregate amounts of such fees and costs to be paid by the Purchaser of the April 28,

<u>2006 maturity. The Purchaser of the April 28, 2006 maturity agrees to make payment for such expenses within 15 business days following receipt of invoices presented by the State.</u>

The purchasers will request the assignment of CUSIP numbers for each maturity of the Certificates. All expenses for the printing of CUSIP numbers, including the CUSIP Service Bureau charge for the assignment of said numbers, shall be the responsibility of and shall be paid for by the purchasers.

The Purchasers will be required to provide to the GOMB (i) the respective percentages of participation and compensation of each underwriter in the bidding syndicate pursuant to an Agreement Among Underwriters or other arrangement among the members of the bidding syndicate and (ii) an identification of which members in the bidding syndicate are minority owned businesses, female owned businesses and businesses owned by persons with disabilities (as such firms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act of the State, as amended; see 30 ILCS 575/0.01 *et seq.*). Such disclosure will be made part of a publicly disclosed GOMB report and will be posted on the GOMB's website.

It is the policy of the State and the GOMB to encourage that at least 5% of the Certificates are underwritten by minority owned firms, at least 5% of the Certificates are underwritten by woman owned firms, and at least 2% of the Certificates are underwritten by firms owned by persons with disabilities. Such firms are also strongly encouraged to assemble bidding groups for the submission of bids.

In order for the Purchasers to be awarded the Certificates, the Purchasers must also certify that it did not and will not pay a contingent fee, whether directly or indirectly, to a third party for having promoted the award of the Certificates to the Purchasers.

PROVISIONS RELATING TO RULE 15C2-12

Final Official Statement

Upon the sale of the Certificates, the State will publish an Official Statement in substantially the same form as the Preliminary Official Statement subject to minor additions, deletions and revisions as required to complete the Preliminary Official Statement. By submission of its bid, the Purchasers will be deemed to have certified that it has obtained and reviewed the Preliminary Official Statement. The State will provide the Purchasers with a reasonable number (not to exceed 100) of final Official Statements at the time of closing. The Purchasers agrees to supply to the State all necessary pricing information and any underwriter identification necessary to complete the Official Statement within 24 hours after the award of the Certificates. A reoffering price and yield must be provided for every maturity and none such may be indicated as "not reoffered."

The State will deliver at closing a certificate to the effect that the facts contained in the Official Statement relating to the State and the Certificates are correct in all material respects, and that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Continuing Disclosure

The State covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the *"Undertaking"*) to provide ongoing disclosure about the State for the benefit of the beneficial owners of the Certificates on or before the date of delivery of the Certificates as required under Section (b)(5) of Rule 15c2-12 (the *"Rule"*) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. As the Certificates have a maturity of less than 18 months, the State is exempt from the provisions of the Rule requiring the delivery of certain annual financial information to the information repositories specified in the Rule. However, the State is required to provide notice of certain material events to certain information repositories as specified in the Rule. The Undertaking is described in the Preliminary Official Statement, with such changes as may be agreed to in writing by the Purchasers. The State is in compliance with each and every undertaking previously entered into by it pursuant to the Rule. The obligation of the Purchasers to purchase the Certificates shall be conditioned upon the State delivering the Undertaking on or before the date of delivery of the Certificates.

OTHER MATTERS

The approving opinion of Bond Counsel covering the legality of and Federal tax-exempt status of the interest on the Certificates, form of which is set forth as APPENDIX B in the Preliminary Official Statement, will be furnished at the expense of the Purchasers, as the purchaser of the Certificates, as described above, and all bids must be so conditioned. The State will provide the usual closing certificates dated as of the date of delivery of and payment for the Certificates, including a statement that there is no litigation pending, or to the knowledge of the signer thereof, threatened, affecting the legality of the Certificates.

The Certificates are expected to be ready for delivery on or about November 22, 2005, and at delivery will be registered in the name of Cede & Co., as described above. Delivery of the Certificates will be made to DTC in New York, New York, without cost to the Purchasers. Payment for the Certificates must be made in Federal Reserve Bank funds which will be immediately available in Chicago on the day of delivery. The Purchasers shall have the right, at its option, to cancel its contract to purchase if the Certificates are not tendered for delivery to the Purchasers within thirty (30) days from the date of sale thereof, and in such event the Purchasers shall be entitled to the return of the Deposit. The State shall have the right, at its option, to cancel the contract of purchase if upon tender of the Certificates for delivery the Purchasers shall not have accepted delivery and paid for the Certificates, in which event the Deposit, without adjustment for interest, accompanying such bid shall be forfeited to the State as payment of damages for failure to comply with the contract of purchase for the Certificates.

The Preliminary Official Statement, the Official Notice of Certificate Sale and the Official Bid Form, together with other pertinent information, may be obtained from the State of Illinois, Governor's Office of Management and Budget, Attention: Aaron P. Cook, at 100 West

Randolph Suite 15-100, Chicago, Illinois 60601, Telephone: (312) 814-7277, or from Pugh, Jones, Johnson and Quandt P.C., Bond Counsel, Attention: Scott A. Bremer, 180 N LaSalle St, Suite 3400, Chicago, IL 60601, Telephone: (312) 768-7818.

Dated this 7th day of November, 2005.

ROD R. BLAGOJEVICH
Governor

JOHN B. FILAN
Director, Governor's Office of Management and Budget

OFFICIAL BID FORM

John B. Filan — November 15, 2005
Director, Governor's Office of Management and Budget
State of Illinois

Director:

For the specific maturities of your General Obligation Certificates of November 2005, date the date of issuance thereof, we will pay you the prices (not less than the par amount of the Certificates for each maturity bid) and we hereby bid the interest rates per annum as follows:

MATURITY DATE	PRINCIPAL AMOUNT	PURCHASE PRICE	INTEREST RATE
March 30, 2006	$275,000,000	$	%
April 28, 2006	$450,000,000		
May 30, 2006	$150,000,000		
June 30, 2006	$125,000,000		

Said Certificates are to be executed and delivered to us in accordance with the terms of this bid accompanied by the approving legal opinion of Pugh, Jones, Johnson & Quandt, P.C., Chicago, Illinois, Bond Counsel.

We hereby certify that we did not and will not pay a contingent fee, whether directly or indirectly, to a third party for having promoted the award of the Certificates to us.

As evidence of our good faith we enclose herewith a check or financial surety bond (the *"Deposit"*) in the amount in an amount equal to 1% of the principal amount for each maturity of the Certificates for which a bid is being submitted, in accordance with your Official Notice of Certificate Sale, which is made a part hereof by reference.

Form of Deposit:
Check One:

Certified/Cashier's Check [   ]
Financial Surety Bond [   ]

____
Description of Check (if applicable):
Amount: $________________
Name of Bank
____
City________________ State ____________
Check No. ____________________________
Dated________________________________

Respectfully submitted:

Name: ______________________________
ACCOUNT MANAGER
By:__________________________________
Address _____________________________
City_________________ State ____________
Telephone ___________________________
E-mail Address ________________________

The above check was returned and received for the above named Account Manager.

By: ____________________________
____

BIDDERS OPTION INSURANCE

We have purchased insurance from:
(Check One)

_____ AMBAC
_____ FGIC
_____ FSA
_____ MBIA
_____ XL Capital

Maturities: (Check One)
_____ _______ Years
_____ All

This bid was accepted and Certificates sold on November 15, 2005, and receipt is hereby acknowledged of the Deposit in accordance with the terms of the Official Notice of Bond Sale.

____
Director, Governor's Office of Management and Budget

____________________ Not a Part of Bid____________________

For information only, and not as a part of this bid, our calculation of interest cost from above is as follows:

	For Certificates Maturing March 30, 2006	For Certificates Maturing April 28, 2006	For Certificates Maturing May 30, 2006	For Certificates Maturing June 31, 2006
Total Interest	$__________	$__________	$__________	$__________
Less Premium	$__________	$__________	$__________	$__________
Net Interest Cost	$__________	$__________	$__________	$__________
Net Interest Rate	__________%	__________%	__________%	__________%

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EXHIBIT I

FORM OF CERTIFICATION OF PURCHASER

(To be provided by the State for execution and delivery by the Purchasers at closing)

I, the undersigned, do hereby certify that I am an officer of _________________________ _______________________ (the *"Purchaser"*), and as such officer I do further certify as follows:

1. The Purchaser and the State of Illinois (the *"State"*) have entered into an agreement on November 15, 2005 (the *"Sale Date"*), concerning the purchase by the Purchaser from the State of the State of Illinois, General Obligation Certificates of November, 2005, dated the date of issuance thereof (the *"Certificates"*). Said agreement has not been modified since its execution on the Sale Date.

2. The Purchaser hereby confirms that the first offering price at which at least 10 percent of the principal amount of each maturity of the Certificates shown below has been sold to the public (excluding bond houses, placement agents, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) are equal to the prices shown below:

MATURITY DATE	PRINCIPAL AMOUNT	RATE OF INTEREST	OFFERING PRICE	OFFERING YIELD
		%	$	%

3. All of the Certificates have been the subject of an initial bona fide offering to the public (excluding bond houses, placement agents, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at the prices set forth in paragraph 2, above. Based upon our assessment of the then prevailing market conditions, the prices shown in paragraph 2 above do not exceed the fair market value of the Certificates as of the Sale Date.

4. The Purchaser did not and will not pay a contingent fee, whether directly or indirectly, to a third party for having promoted the award of the Certificates.

[To be added if Purchaser obtains bond insurance at its own expense (it being understood by all potential bidders that the State is not acquiring bond insurance or any other credit enhancement for the Certificates):

5. The present value of the fee paid for the [Bond Insurance] over the term of the Certificates (using as a discount rate the expected yield on the Certificates treating the fee paid as interest on the Certificates) is less than the present value of the interest reasonably expected to be saved on the Certificates over the term of the Certificates as a result of the [Bond Insurance]. The fee paid for the [Bond Insurance] does not exceed a reasonable, arm's-length charge for the transfer of credit risk.]

IN WITNESS WHEREOF, I hereunto affix my official signature, this 15th day of November, 2005.

[Purchaser]

By ______________________________

Title ____________________________

PRELIMINARY OFFICIAL STATEMENT

STATE OF ILLINOIS

$1,000,000,000
GENERAL OBLIGATION CERTIFICATES
SERIES OF NOVEMBER, 2005

DATE OF SALE: NOVEMBER 15, 2005

Bids Will Be Received Until 11:00 A. M. Central Standard Time
Preliminary Official Statement Printed: November 7, 2005

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CERTIFICATE SUMMARY

Issuer:	State of Illinois
Offering:	$1,000,000,000 General Obligation Certificates of November, 2005.
Bidding Details:	Bids will be received until 11:00 A.M., Central Standard Time, 11:00A.M., November 15, 2005, via PARITY, as provided in the Official Notice of Sale.
Dated Date:	Date of issuance (expected to be November 22, 2005).
Maturity:	$275,000,000 of the aggregate principal amount will mature on March 30, 2006; $450,000,000 will mature on April 28, 2006; $150,000,000 will mature on May 30, 2006; and $125,000,000 will mature on June 30, 2006.
Interest:	Interest on each Certificate, computed on the basis of a 360-day year of twelve 30-day months, will be payable only on the maturity date thereof.
Security:	The Short Term Borrowing Act, 30 ILCS 340/1 et seq., pursuant to which the Certificates are being issued, constitutes an appropriation out of any money in the State Treasury of an amount sufficient to pay the interest on and principal of the Certificates as the same become due.
Form of Certificates:	Certificates will be issued in denominations of $5,000 or integral multiples thereof, in fully registered form through a global book-entry system. The Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Owners of the Certificates will not receive a certificate representing ownership interest.
Legal Opinion:	Pugh, Jones, Johnson & Quandt, P.C., Chicago, Illinois
Certificate Registrar / Paying Agent:	Treasurer of the State of Illinois, Springfield, Illinois.
Certificate Ratings:	Applications for short-term ratings on this issue have been made to Moody's Investors Service, Standard & Poor's, a division of The McGraw-Hill Companies, and Fitch Ratings.

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 Scott A. Bremer, (312) 768-7818, of Pugh, Jones, Johnson & Quandt, P.C., Chicago, Illinois.

Subject to compliance by the State with certain covenants, in the opinion of Pugh, Jones & Johnson, P. C., Chicago, Illinois, Bond Counsel, under present law interest on the Certificates will not be includible in the gross income of the owners thereof for federal income tax purposes, except to the extent that such interest will be taken into account in computing the corporate alternative minimum tax and the branch profits tax. Interest on the Certificates will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. See the heading "TAX EXEMPTION" herein for a more detailed discussion of some of the federal tax consequences of owning the Certificates. The interest on the Certificates is not exempt from present Illinois income taxes.

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THE OFFERING

$1,000,000,000
STATE OF ILLINOIS
GENERAL OBLIGATION CERTIFICATES OF NOVEMBER, 2005

INTRODUCTION

This Preliminary Official Statement of the State of Illinois (the "State"), including the cover and appendices, presents certain information in connection with the issuance by the State of $1,000,000,000 aggregate principal amount of its certificates designated as the State of Illinois General Obligation Certificates of November, 2005 (the "Certificates").

The State will borrow pursuant to the provisions of Article IX, Section 9(c) of the Illinois Constitution of 1970 (the "Illinois Constitution") and the provisions of the Short Term Borrowing Act, 30 ILCS 340/1 et seq. (the "Act") of the State for the purpose of paying for medical services as more fully described under the heading "USE OF CERTIFICATE PROCEEDS" below. Pursuant to the Act, the Certificates must be repaid by the close of the fiscal year in which such moneys are borrowed.

DESCRIPTION OF CERTIFICATES

The Certificates will be dated as of the date of issuance and will mature as follows:

Issuance	Maturity	Amount
Nov 22, 2005	Mar 30, 2006	$275,000,000
Nov 22, 2005	Apr 28, 2006	$450,000,000
Nov 22, 2005	May 30, 2006	$150,000,000
Nov 22, 2005	June 30, 2006	$125,000,000

Interest on each Certificate is payable only on the respective maturity date thereof, at the interest rate per annum specified by the successful bidder, and such interest will be computed on the basis of a 360-day year of twelve 30-day months. The Certificates are not subject to redemption prior to maturity.

The Certificates will be issued in denominations of $5,000 or integral multiples thereof, in fully registered form through a global book-entry system. See "APPENDIX C - GLOBAL BOOK-ENTRY SYSTEM." Principal of and interest on the Certificates will be paid by the Treasurer of the State, Springfield, Illinois, as certificate registrar and paying agent for the Certificates, to The Depository Trust Company, New York, New York, or its nominee ("DTC"). DTC will in turn remit principal and interest payments to its participants for subsequent disbursement to beneficial owners of the Certificates. See "APPENDIX C - GLOBAL BOOK-ENTRY SYSTEM."

SECURITY

The Act constitutes an appropriation out of any money in the State Treasury of an amount sufficient to pay the principal of and interest on the Certificates as the same become due. The Certificate Order, dated as of Monday, November 7, 2005 and executed by the Governor, the Comptroller and the Treasurer of the State, pursuant to which the Certificates are issued (the "Certificate Order"), authorizes the Governor, the

Comptroller and Treasurer of the State to provide for the transfer of moneys on deposit in any funds of the State Treasury into the General Obligation Bond Retirement and Interest Fund of the State (the "GOBRI Fund") at such times and in such amounts as they deem necessary for the timely payment of the principal of and interest on the Certificates.

The anticipated sources of funds to repay the principal of and interest on the Certificates when due and the anticipated schedule of transfers of such funds to the GOBRI Fund to provide for such payment are set forth in Table 4 of this Preliminary Official Statement.

USE OF CERTIFICATE PROCEEDS

Proceeds of the Certificates will be used to meet significant timing variations between disbursement and receipt of budgeted funds during Fiscal Year 2006. The State expects to deposit $1,000,000,000 of the proceeds of the Certificates into the General Revenue Fund to relieve general cash flow pressures and to provide for the payment of appropriated amounts for medical assistance under the Illinois Public Aid Code and the Children's Health Insurance Program Act. Accrued interest, if any, will be deposited into the GOBRI Fund to be used towards the payment of the principal and interest due on the Certificates.

Cash flow estimates for these funds for the term of the Certificates are set forth in Table 4.

RATINGS

The State has applied to Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch"), (collectively, the "Rating Agencies"), for short-term ratings on the Certificates. These ratings, if assigned, reflect the views of such organizations and an explanation of the significance of such ratings may be obtained only from the respective rating agencies. As part of the State's application for the ratings, certain information and materials, some of which are not contained herein, have been supplied to the Rating Agencies. The ratings are neither a "market" rating nor a recommendation to buy, sell or hold the Certificates and the ratings and the Certificates should be evaluated independently. The ratings, if assigned, are subject to change or withdrawal at any time and any such change or withdrawal may affect the market price or marketability of the Certificates. The State will provide appropriate periodic credit information necessary for maintaining ratings on the Certificates to the Rating Agencies. Except as may be required by the Undertaking as defined below under the heading "CONTINUING DISCLOSURE," the State undertakes no responsibility either to bring to the attention of the owners of the Certificates any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

LEGAL OPINION

The Certificates are offered subject to the approving opinion of Pugh, Jones, Johnson, Quandt, P.C., Chicago, Illinois, Bond Counsel.

The validity and enforceability of the Certificates will be confirmed by Bond Counsel, whose approving opinion will be furnished to the purchasers upon delivery of the Certificates. The form of the approving opinion expected to be delivered by Bond Counsel is contained in APPENDIX B hereto.

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Certificates, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Certificate proceeds and the facilities financed therewith, and certain other matters. The State has covenanted to comply with all requirements of the Code that must be satisfied in order for the interest on the Certificates to be excludible from gross income. Failure to comply with certain of such covenants could cause interest on the Certificates to become includible in gross income retroactive to the date of issuance of the Certificates.

Subject to the condition that the State comply with the above-referenced covenants, under present law, in the opinion of Bond Counsel the Certificates are not "private activity bonds" under Section 141 of the Code and interest on the Certificates will not be includible in the gross income of the owners thereof for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. Interest on the Certificates will be taken into account, however, in computing an adjustment used in determining the alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon a certificate of the State with respect to certain material facts solely within the State's knowledge relating to the application of the proceeds of the Certificates.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations. The AMT is levied in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (excluding S corporations, regulated investment companies, real estate investment trusts, REMICs or FASITs) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment items and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax-exempt interest, including interest on the Certificates.

Under the provisions of Section 884 of the Code, a branch profits tax may be levied on the "effectively connected earnings and profits" of certain foreign corporations, which include tax-exempt interest such as interest on the Certificates.

Ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to carry tax-exempt obligations. Prospective purchasers of the Certificates should consult their tax advisors as to applicability of any such collateral consequences.

Interest on the Certificates is not exempt from present State of Illinois income taxes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. The opinions of Bond Counsel express the professional judgment of Bond Counsel regarding the legal issues expressly addressed therein. By rendering its legal opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered or of the future performance of the parties to the transaction. Nor does the rendering of the opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Bond Premium

An amount equal to the excess of the purchase price of a Certificate over the principal amount payable at maturity of such Certificate constitutes amortizable bond premium that may not be deducted for Federal income tax purposes. For purposes of determining gain or loss on the sale or other disposition of such Certificate, the tax basis of each Certificate is decreased by the amount of the bond premium that has been amortized. Bond premium is amortized by offsetting the interest on the Certificate allocable to an accrual period with the bond premium allocable to the accrual period. The bond premium allocable to an accrual period is the excess of the interest on the Certificate allocable to the accrual period over the product of the owner's adjusted acquisition price at the beginning of the accrual period and the owner's yield (determined on the basis of a constant yield over the term of the Certificate). If the bond premium allocable to an accrual period exceeds the interest on the Certificate allocable to the accrual period, the excess is a nondeductible loss for federal income tax purposes that reduces the owner's basis in such Certificate.

Purchasers of any Certificates at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the federal, state and local consequences of owning such Certificates.

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

The Director will provide to the purchasers at the time of delivery of the Certificates a certificate confirming that, to the best of his knowledge and belief, this Preliminary Official Statement and a subsequent Official Statement Addendum setting forth the results of the sale of the Certificates were, as of their respective dates, and are, at the time of such delivery, true and correct in all material respects and did not and do 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 Certificates 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 - LIMITED CONTINUING DISCLOSURE UNDERTAKING" for the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies. As the Certificates have a maturity of less than 18 months, the State is exempt from the provisions of the Rule requiring the delivery of annual financial information to the nationally recognized securities information repositories specified in the Rule.

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 Certificate Order, and beneficial owners of the Certificates are limited to the remedies described in the Undertaking. See "APPENDIX D - LIMITED 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 Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates 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 Certificates, or in any way concerning the validity or enforceability of the Certificates, 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 Certificates or the State's ability to pay debt service on the Certificates.

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 19, 2005, the State filed its Motion to Vacate Court Order with Respect to the Escrow of Funds. The State's Motion is scheduled for hearing on November 3, 2005. On October 25, pursuant to the State's motion, the 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.

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. The State anticipates that it will move to dispose of several matters pending in Cook and Sangamon Counties based upon the Supreme Court's recent opinion. 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 Certificates or the State's ability to pay debt service on the Certificates.

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.

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 PROVISION 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 Certificates are being 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 report or records of the Comptroller. The 2004 Consolidated Annual Financial Report 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. 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**
Available Balance, Ending	**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.

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**
Available 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	Current 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
MONTHLY CASHFLOW - GENERAL FUNDS[1]
JULY 2005 TO JUNE 2006
($ in millions)

	Actual				Projected							
General Funds Cashflow Proforma	**Jul-05**	**Aug-05**	**Sep-05**	**Oct-05**	**Nov-05**	**Dec-05**	**Jan-06**	**Feb-06**	**Mar-06**	**Apr-06**	**May-06**	**Jun-06**
BEGINNING CASH - GENERAL FUNDS	**$ 497.1**	**$ 727.0**	**$ 707.6**	**$ 599.8**	**$ 572.1**	**$ 205.4**	**$ 205.4**	**$ 375.8**	**$ 265.4**	**$ 205.4**	**$ 205.4**	**$ 205.4**
CASH RECEIPTS												
Net Individual Income Tax	523.6	575.8	718.5	556.6	567.1	658.4	931.5	630.8	596.5	1,048.7	726.7	700.7
Net Corporate Income Tax	33.0	12.2	222.4	60.8	50.7	178.3	34.1	11.4	241.3	207.5	34.6	179.6
Sales Tax Revenue	621.6	588.1	601.7	574.8	562.3	619.9	612.1	459.5	533.1	553.9	563.5	582.6
All Other State Revenues	262.8	254.7	274.0	195.4	215.0	328.0	232.9	246.2	310.1	319.7	260.7	426.4
Total Transfers In	157.0	143.9	131.1	157.5	186.0	198.6	148.4	151.5	270.9	218.3	146.5	269.3
Total State Sources	**$ 1,598.0**	**$ 1,574.6**	**$ 1,947.8**	**$ 1,545.0**	**$ 1,581.2**	**$ 1,983.2**	**$ 1,958.9**	**$ 1,499.4**	**$ 1,952.0**	**$ 2,348.1**	**$ 1,732.0**	**$ 2,158.7**
Federal Aid	278.2	504.8	488.9	375.3	365.6	420.8	405.8	289.9	421.3	325.3	507.3	407.9
Budget Stabilization Borrowing	-	276.0	-	-	-	-	-	-	-	-	-	-
Short Term Borrowing	-	-	-	-	1,000.0	-	-	-	-	-	-	-
Total Revenues and Transfers In	**$ 1,876.2**	**$ 2,355.4**	**$ 2,436.7**	**$ 1,920.3**	**$ 2,946.8**	**$ 2,404.0**	**$ 2,364.7**	**$ 1,789.3**	**$ 2,373.3**	**$ 2,673.4**	**$ 2,239.3**	**$ 2,566.6**
CASH DISBURSEMENTS												
Total Cash Expenditures	1,640.4	2,526.0	2,371.0	2,128.4	1,936.2	2,242.9	1,754.9	1,744.0	2,054.0	1,839.4	1,702.9	1,931.3
Statutory Transfers	244.2	344.1	163.8	275.1	116.7	125.8	154.0	155.8	268.7	284.4	306.3	367.4
Budget Stabilization Fund Repayment	-	-	-	-	-	-	-	-	-	-	100.0	176.0
Short Term Borrowing Repayment[2]	-	-	-	-	-	-	-	-	278.1	456.1	152.5	127.4
Total Expenditures and Transfers Out	**$ 1,884.6**	**$ 2,870.1**	**$ 2,534.8**	**$ 2,403.5**	**$ 2,052.9**	**$ 2,368.7**	**$ 1,908.8**	**$ 1,899.8**	**$ 2,600.8**	**$ 2,579.9**	**$ 2,261.6**	**$ 2,602.1**
CASH												
General Funds- Available Balance	532.7	513.3	404.4	376.7	10.0	10.0	180.4	70.0	10.0	10.0	10.0	178.7
General Funds - Escrowed by Treasurer	194.3	194.3	195.4	195.4	195.4	195.4	195.4	195.4	195.4	195.4	195.4	195.4
Ending Cash - General Funds	**$ 727.0**	**$ 707.6**	**$ 599.8**	**$ 572.1**	**$ 205.4**	**$ 205.4**	**$ 375.8**	**$ 265.4**	**$ 205.4**	**$ 205.4**	**$ 205.4**	**$ 374.1**
Budget Stabilization Fund	276.0	-	-	-	-	-	-	-	-	-	100.0	276.0
Total Cash Balance	**$ 1,003.0**	**$ 707.6**	**$ 599.8**	**$ 572.1**	**$ 205.4**	**$ 205.4**	**$ 375.8**	**$ 265.4**	**$ 205.4**	**$ 205.4**	**$ 305.4**	**$ 650.1**
ACCOUNTS PAYABLE	**Jul-05**	**Aug-05**	**Sep-05**	**Oct-05**	**Nov-05**	**Dec-05**	**Jan-06**	**Feb-06**	**Mar-06**	**Apr-06**	**May-06**	**Jun-06**
Beginning Accounts Payable	404.3	642.9	1,136.0	1,125.8	1,581.3	320.7	285.5	-	-	167.5	74.1	96.4
Changes in Accounts Payable	238.6	493.1	(10.2)	455.5	(1,260.6)	(35.3)	(285.5)	-	167.5	(93.5)	22.3	204.2
Ending Accounts Payable	**$ 642.9**	**$ 1,136.0**	**$ 1,125.8**	**$ 1,581.3**	**$ 320.7**	**$ 285.5**	**$ -**	**$ -**	**$ 167.5**	**$ 74.1**	**$ 96.4**	**$ 300.6**

[1] Based upon information from the Office of the Comptroller.
[2] Short Term Borrowing Repayment assumes interest at maturity for each Certicate at an estimated 3.15%

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 is the Monthly Cash Flow – General Funds for fiscal year 2006. That table reflects the issuance and repayment of principal on the Certificates including estimated interest.

Table 5 – the General Funds Cash Flow Operating Summary – presents operating results and the accompanying change 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 budgeting basis (i.e, cash basis for revenues and accruals for expenditures) reflected in Table 5.

Budget basis results will differ from the cash basis results by the change (increase or decrease) in the amount of accrued revenues (increases or decreases in taxes receivable) as well as accrued expenditures (increases or decreases in accounts payable for appropriations) from one fiscal year to the next. Those amounts are disclosed in Table 5 for each year. 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.

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 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 amount at the end of fiscal year 2005 was $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 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.

TABLE 5
FY 2003-FY 2006 BUDGET PLANS
GENERAL FUNDS - CASH FLOW OPERATING SUMMARY [1,2]

(in $ millions)

	Fiscal Year 2003 Actual		Fiscal Year 2004 Actual		Fiscal Year 2005 Forecast (11/02/05)		Fiscal Year 2006 Budget Plan (Adopted 05/31/05)	
OPERATING RECEIPTS: REVENUES PLUS TRANSFERS IN								
REVENUES								
State Sources	$ 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) [3]	$ (441)		$ (854)		$ (1,302)		$ (490)	
Equals: **CURRENT YEAR EXPENDITURES** (Net Appropriations Spent) [3]		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 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
CASH BASIS FINANCIAL RESULTS								
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 [4]		$ 61		$ (135)		$ 315		$ (110)
CASH POSITION								
CHANGE IN CASH FOR FISCAL YEAR [4]		$ 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

[1] **This Cash Flow Operating Summary reflects revenues collected by June 30th of the current fiscal year and excludes accrued revenues for that year that are recognized under the modified accrual basis used in the audited financial statements prepared under generally accepted accounting principles. Reflecting the State Budget Law (specifically, PA 90-0479), expenditures are recorded on an accrual basis, and include amounts reflected in the Accounts Payable amount for that year, though payable in the subsequent fiscal year. (Also see Note #2 below.)**

[2] **Public Act 90-0479 requires that the State budget be prepared on the basis of revenue and expenditure measurements that follow generally accepted accounting principles (GAAP) for government. Consistent with that Act, the State has historically reflected expenditure accruals in its annual budget through recognition of lapse period spending. The Act further requires that revenues due the State in one fiscal year, but actually received in the next fiscal year, shall be accounted for in the year they are due (the modified accrual basis of revenue budgeting). However, the State's historic revenue recognition practice for budgeting purposes is to utilize the cash basis representing cash collected during the fiscal year. The effect of utilizing the modified accrual basis of revenue recognition would be an increase (decrease) over cash basis revenues of approximately ($84) million for FY03, $22 million for FY04, $94 million for FY05, and $31 million for FY06, primarily due to income taxes and sales taxes. The cumulative effect prior to FY05 would be based upon the actual receivables due the State as of June 30, 2004. That amount would be represented as a Prior Period Adjustment in accordance with GAAP, which would result in an increase in Budget Basis Fund Balance.**

[3] **FY2005 includes $850M of Medicaid appropriations that lapsed. Those resources were the source of repayment of short term borrowing for the Health Assessment Tax included in Statutory Transfers Out.**

[4] **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.**

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.

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.

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).

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 "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 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 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.

There is a tuition tax credit for parents equal to 25 percent of qualified school expenses exceeding $250 per year. The tax credit cannot exceed $500 per household in any one year.

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.

All personal income tax collections not deposited into the Refund Fund are deposited into the general funds. During fiscal year 20043, 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.

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.

Other

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 (Anticipated)
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 September 12, 2005.

TABLE 8
GENERAL OBLIGATION BONDS
(As of November 7, 2005)

Authorization Category	Amount Authorized	Amount Issued	Authorized Unissued	Amount Outstanding
Anti-Pollution[1]	$ 599,000,000	$ 599,000,000	$	$ 14,560,000
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	8,000,548,353
Subtotal – New Money Bonds	**$21,357,149,36**	**$18,413,386,352**	**$2,943,763,017**	**$8,015,108,353**
Refunding Bonds[2]	2,839,025,000	3,965,574,239	971,126,429	1,867,898,571
Subtotal – New and Refunding	**$24,196,174,36**	**$22,378,960,591**	**$3,914,889,446**	**$9,883,006,924**
Pension Refunding	10,000,000,000	10,000,000,000	-	10,000,000,000
Total – Capital and Pension	**$34,196,174,36**	**$32,378,960,591**	**$3,914,889,446**	**$19,883,006,924**

[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 November 1, 2005 a total of $593.4 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 $593.4 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	-
2003	1,650	10,000
2004	1,175	-
2005	875	-
2006[1]	300	-

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
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]	9,327.0	10,000.0

1Principal 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.

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 expected debt service on the Certificates, 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	257.4
School Infrastructure Fund	73.2	127.5	155.2	196.7	224.0
General Funds	582.6	628.9	583.4	664.5	665.8
General Funds-Pension[2]	-	-	481.0	496.2	496.2

(1) Principal and interest paid on outstanding GO 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
(As of November 7, 2005)

	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	405,554,579	133,283,057	543,797,635	581,069,506	1,124,867,141	-	496,200,000	496,200,000	1,621,067,141
2008	4,560,000	395,074,415	140,405,980	540,040,394	567,195,634	1,107,236,029	50,000,000	496,200,000	546,200,000	1,653,436,029
2009	2,360,000	378,575,376	137,685,768	518,621,143	555,524,374	1,074,145,518	50,000,000	494,950,000	544,950,000	1,619,095,518
2010	800,000	394,339,814	143,194,938	538,334,753	497,835,837	1,036,170,590	50,000,000	493,550,000	543,550,000	1,579,720,590
2011	-	346,741,202	168,948,829	515,690,031	483,116,287	998,806,318	50,000,000	491,900,000	541,900,000	1,540,706,318
2012	-	328,098,439	150,005,000	478,103,439	434,527,735	912,631,174	100,000,000	490,125,000	590,125,000	1,502,756,174
2013	-	247,930,751	234,750,000	482,680,751	395,378,955	878,059,706	100,000,000	486,375,000	586,375,000	1,464,434,706
2014	-	249,889,607	234,640,000	484,529,607	350,891,584	835,421,191	100,000,000	482,525,000	582,525,000	1,417,946,191
2015	-	378,535,720	126,795,000	505,330,720	301,781,421	807,112,141	100,000,000	478,575,000	578,575,000	1,385,687,141
2016	-	407,671,341	86,835,000	494,506,341	278,189,759	772,696,100	100,000,000	474,525,000	574,525,000	1,347,221,100
2017	-	402,876,341	62,740,000	465,616,341	248,098,315	713,714,656	125,000,000	470,175,000	595,175,000	1,308,889,656
2018	-	389,607,806	52,795,000	442,402,806	213,552,728	655,955,534	150,000,000	464,737,500	614,737,500	1,270,693,034
2019	-	370,102,317	40,730,000	410,832,317	188,450,658	599,282,975	175,000,000	458,212,500	633,212,500	1,232,495,475
2020	-	355,251,629	29,780,000	385,031,629	170,666,158	555,697,788	225,000,000	449,550,000	674,550,000	1,230,247,788
2021	-	330,645,883	38,245,000	368,890,883	144,909,005	513,799,888	275,000,000	438,412,500	713,412,500	1,227,212,388
2022	-	350,357,410	7,670,000	358,027,410	117,179,040	475,206,450	325,000,000	424,800,000	749,800,000	1,225,006,450
2023	-	334,092,922	-	334,092,922	104,514,865	438,607,788	375,000,000	408,712,500	783,712,500	1,222,320,288
2024	-	298,253,968	-	298,253,968	81,987,595	380,241,563	450,000,000	390,150,000	840,150,000	1,220,391,563
2025	-	256,988,835	-	256,988,835	69,855,040	326,843,875	525,000,000	367,200,000	892,200,000	1,219,043,875
2026	-	247,630,000	-	247,630,000	54,437,875	302,067,875	575,000,000	340,425,000	915,425,000	1,217,492,875
2027	-	236,545,000	-	236,545,000	42,174,000	278,719,000	625,000,000	311,100,000	936,100,000	1,214,819,000
2028	-	202,205,000	-	202,205,000	30,679,625	232,884,625	700,000,000	279,225,000	979,225,000	1,212,109,625
2029	-	170,970,000	-	170,970,000	21,177,500	192,147,500	775,000,000	243,525,000	1,018,525,000	1,210,672,500
2030	-	115,860,000	-	115,860,000	14,564,000	130,424,000	875,000,000	204,000,000	1,079,000,000	1,209,424,000
2031	-	71,815,000	-	71,815,000	9,895,500	81,710,500	975,000,000	159,375,000	1,134,375,000	1,216,085,500
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	8,258,745,156	1,915,416,655	10,193,001,811	6,560,998,650	16,754,000,461	10,000,000,000	10,956,475,000	20,956,475,000	37,710,475,461

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

11/02/05	4,280,000	258,196,803	47,518,084	309,994,887	314,668,972	624,663,859	-	-	-	624,663,859
06/30/06	1,880,000	174,180,000	79,395,000	255,455,000	273,149,055	528,604,055	-	496,200,000	496,200,000	1,024,804,055
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	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 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. To date, receipts from the MPEA taxes have been sufficient to meet all debt service requirements.

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.

Moral Obligation Bonds

Currently, seven 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)

	Revenue Bonds Outstanding
Build Illinois (Sales Tax Revenue Bonds)	$2,218.0
Metropolitan Exposition and Auditorium Authorities	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**

(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, 2004 (the most recently completed fiscal year for which information is available), the Retirement Systems had an aggregate membership of 310,735 active members, 171,083 inactive members entitled to benefits and 171,220 retired members and beneficiaries. As of that date, based upon the most recent available actuarial valuation of the Retirement Systems, the actuarially determined accrued liabilities of the Retirement Systems were approximately $89.8 billion, the fair market value of their assets was approximately $54.7 billion, and the aggregate Unfunded Accrued Actuarial Liability ("UAAL") with respect to the Retirement Systems was approximately $35.1 billion, representing a funded ratio of 60.9%.

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
(As of June 30, 2004)

	Participants				($ in millions)		
Retirement System	**Active Members**	**Inactive / Entitled to Benefits**	**Retirees and Beneficiaries**	**Total**	**Assets[1]**	**Liabilities[2]**	**UAAL**
TRS	157,785	81,425	77,165	316,375	$31,544.7	$50,947.4	$19,402.7
SURS	81,242	66,727	38,487	186,456	12,586.3	19,078.6	6,492.3
SERS	70,621	22,797	54,298	147,716	9,990.1	18,442.7	8,452.6
JRS	906	35	873	1,814	534.6	1,156.1	621.5
GARS	181	99	397	677	83.2	207.6	124.4
Total	310,735	171,083	171,220	653,038	$54,738.9	$89,832.4	$35,093.5

(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 by the end of fiscal 2045.

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 2000 through fiscal year 2004.

TABLE 21
PENSION SYSTEMS DEGREE OF FUNDING
FISCAL YEARS ENDING JUNE 30TH 2000-2004
($ in millions)

Fiscal Year	Total Assets[1]	Liabilities[2]	Ratio (%)
2000	$45,949.7	$61,518.9	74.7%
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%

(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 Balance[2]	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 Liabilities[3]	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

Scott Balice Strategies, LLC, is acting as financial advisor (the "Financial Advisor") to the State in connection with the offering of the Certificates. 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 Certificates.

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

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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%	636	0.5%
Construction	267	4.5%	7,285	5.4%
Information and Financial Activities	521	8.9%	11,378	8.5%
Manufacturing	693	11.8%	14,234	10.6%
Trade, Transportation and Utilities	1,183	20.2%	25,850	19.3%
Professional and Business Services	829	14.1%	17,054	12.7%
Education and Health Services	738	12.6%	17,476	13.0%
Leisure and Hospitality	524	8.9%	12,758	9.5%
Other	260	4.4%	5,466	4.1%
Government	845	14.4%	21,874	16.3%
Total	**5,869**	**100.0%**	**134,011**	**100.0%**

Source: U.S. Department of Labor, Bureau of Labor Statistics, August 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	10	10	9
Construction	276	277	283	285
Manufacturing	756	720	699	694
Non-Durable Goods	298	287	276	273
Durable Goods	458	433	423	421
Trade, Transportation and Utilities	1,197	1,184	1,201	1,183
Wholesale Trade	306	306	300	301
Retail Trade	633	622	641	622
Transportation and Utilities	258	256	260	259
Information and Financial Activities	549	537	519	522
Professional and Business Services	786	766	797	829
Education and Health Services	711	715	734	731
Leisure and Hospitality	494	497	509	545
Other Services	255	250	257	266
Government	861	857	841	813

* Data through August 2005

Source: U.S. Department of Labor, Bureau of Labor Statistics, August 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 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)

	1999	2000	2001	2002	2003	Rank Among States – 2003
Crops	5,233	5,312	5,704	5,924	6,490	3
Livestock	1,524	1,710	1,843	1,562	1,800	22
Total	6,757	7,022	7,547	7,486	8,290	7

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	459.3
United States	4,861.9	8,442.1	8,703.0	8,900.0	9,380.5	10,225.9

Source: Department of Commerce, Bureau of Economic Analysis, September 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, September 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	374,027
Bloomington-Normal MSA	2,245	2,142	2,522	2,663	3,273	3,499
Champaign-Urbana MSA	2,868	3,242	3,893	4,095	4,205	4,935
Chicago PMSA	207,489	260,733	317,890	317,930	288,838	275,992
Davenport-Moline-Rock Island MSA, IL portion	8,582	8,873	10,217	10,647	10,505	9,050
Decatur MSA	2,966	3,486	4,570	4,183	3,773	3,491
Kankakee MSA	2,487	2,898	3,718	4,072	4,341	3,291
Peoria-Pekin MSA	7,545	11,000	10,209	10,670	9,870	9,413
Rockford MSA	8,106	11,024	13,398	14,742	12,605	10,686
Springfield MSA	3,762	4,028	4,892	5,570	5,779	5,373
St. Louis MSA, IL portion	16,113	17,713	19,660	21,154	21,888	20,397

TABLE A-9
UNEMPLOYED RATE (%)

	2000	2001	2002	2003	2004	2005*
United States	3.9	5.7	6.0	5.7	5.4	5.1
Illinois	4.9	6.0	6.7	6.6	6.0	5.7
Bloomington-Normal MSA	2.5	2.3	2.7	2.9	3.6	4.1
Champaign-Urbana MSA	2.5	2.8	3.4	3.6	3.8	4.2
Chicago PMSA	4.4	5.5	6.8	6.8	6.1	5.8
Davenport-Moline-Rock Island MSA, IL portion	4.3	4.5	5.2	5.5	5.4	4.5
Decatur MSA	5.0	6.1	8.1	7.6	6.9	6.4
Kankakee MSA	4.8	5.6	7.2	7.9	8.3	6.1
Peoria-Pekin MSA	3.9	4.5	5.4	5.7	5.2	4.9
Rockford MSA	4.7	6.5	8.0	8.8	8.4	6.3
Springfield MSA	3.5	3.8	4.6	5.4	5.5	4.6
St. Louis MSA, IL portion	5.1	5.6	6.2	6.7	6.8	5.9

*Data through September 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 September 2005 is 5.7%.

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

TABLE A-11
ILLINOIS POPULATION BY AGE GROUP
(Thousands)

	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.

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APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

State of Illinois

Springfield, Illinois

Re: $1,000,000,000 State of Illinois General Obligation Certificates of November, 2005

We hereby certify that we have examined a certified copy of the proceedings of the Governor of the State of Illinois (the "State"), the Comptroller of the State and the Treasurer of the State authorizing the issue by the State of its fully registered $1,000,000,000 aggregate principal amount General Obligation Certificates of November, 2005 (the *"Certificates"*). The Certificates are authorized and issued pursuant to Section 9(c) of Article IX of the Constitution of the State and the Short Term Borrowing Act, as amended (the *"Act"*), of the State. The Certificates are dated the date hereof, mature on the dates, in the aggregate principal amounts and bear interest at the rates per annum payable at maturity set forth below:

Issuance	**Maturity**	**Amount**
Nov 22, 2005	Mar 30, 2006	$275,000,000
Nov 22, 2005	Apr 28, 2006	$450,000,000
Nov 22, 2005	May 30, 2006	$150,000,000
Nov 22, 2005	June 30, 2006	$125,000,000

The Certificates are not subject to redemption prior to maturity.

We are of the opinion that such proceedings show lawful authority for said issue under the laws of the State now in force.

We further certify that we have examined the form of Certificate prescribed for said issue and find the same in due form of law, and in our opinion the Certificates, to the amount named, are valid and legally binding obligations of the State in accordance with their terms, except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by the availability of equitable remedies.

We are further of the opinion that the Act constitutes an appropriation out of any moneys in the State Treasury of an amount sufficient to pay the principal of and interest on the Certificates as the same shall become due and payable; and the Governor, the Comptroller and Treasurer of the State are authorized to order the transfer of any moneys in the State Treasury into the General Obligation Bond Retirement and Interest Fund of the State to provide for the payment of the Certificates.

Subject to the condition that the State comply with certain covenants made to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the *"Code"*), under present law the Certificates are not "private activity bonds" within the meaning of Section 141 of the Code, and interest on the Certificates are not includible in gross income of the owners thereof for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. Interest will be taken into account, however, in computing an adjustment used in determining the alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations. Failure by the State to comply with such covenants could cause the interest on the Certificates to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Certificates. Ownership of the Certificates may result in other federal income tax consequences to taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates. In rendering this option, we have relied upon a certificate of the State with respect to certain material facts solely within the State's knowledge relating to the property financed with the proceeds of the Certificates and the application of the proceeds of the Certificates.

Interest on the Certificates is not exempt from present State of Illinois income taxes.

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 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC 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.

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

Limited 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.

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 Certificates 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 Certificates, 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

If the State fails to comply with any provision of the Undertaking, the beneficial owner of any Certificate 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 Certificate 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 Certificate under the Certificate 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 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 in any 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 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.

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