SUPPLEMENT TO THE FINAL OFFICIAL STATEMENT DATED SEPTEMBER 18, 2009

$400,000,000
STATE OF ILLINOIS
GENERAL OBLIGATION BONDS,
SERIES A OF SEPTEMBER, 2009 (THE "BONDS")

This supplement reflects changes to the Final Official Statement dated September 18, 2009, which consists of the Preliminary Official Statement of the State, dated September 9, 2009, related to the Bonds, which was deemed final by the State (the "Deemed Final Official Statement") and the Official Statement Addendum Dated September 18, 2009. The "INTRODUCTION" section of the Deemed Final Official Statement is deleted and replaced in its entirety by the following language:

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 $400,000,000 aggregate principal amount of its bonds designated as the State of Illinois General Obligation Bonds, Series A of September, 2009 (the "Bonds"). The issuance will consist of aggregate principal amounts and authorizations in the approximate amounts as follows:

$25,500,000	for Capital Facilities purposes authorized by Section 3 of the General Obligation Bond Act of the State, as amended (30 ILCS 330/1 et seq.) (the "Bond Act");
$337,000,000	for Transportation A-Highways purposes authorized by Section 4(a) of the Bond Act;
$15,000,000	for Transportation B-Mass Transit and Public Airport Facilities purposes authorized by Sections 4(b) and 4(c) of the Bond Act;
$2,500,000	for Anti-Pollution purposes authorized by Section 6 of the Bond Act; and
$20,000,000	for Coal and Energy Development purposes authorized by Section 7 of the Bond Act.

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

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

This supplement does not contain any other information which is set forth in the Final Official Statement. This supplement should only be read in conjunction with the Final Official Statement.

This supplement is dated September 22, 2009.

OFFICIAL STATEMENT ADDENDUM DATED SEPTEMBER 18, 2009

$400,000,000
STATE OF ILLINOIS
GENERAL OBLIGATION BONDS, SERIES A OF SEPTEMBER, 2009

Dated: Date of Issuance   Due: September 1, as shown below

The purpose of this Official Statement Addendum is to set forth the details of sale of the $400,000,000 General Obligation Bonds, Series A of September, 2009 (the *"Bonds"*), sold by the State of Illinois (the *"State"*) on September 16, 2009. The Bonds will mature on September 1 of each of the years, in the amounts and bearing interest as follows:

YEAR OF MATURITY	PRINCIPAL AMOUNT	RATE OF INTEREST	YIELD OR PRICE	YEAR OF MATURITY	PRINCIPAL AMOUNT	RATE OF INTEREST	YIELD OR PRICE
2010	$16,000,000	5.000%	1.120%	2023	$16,000,000	4.000%	3.910%
2011	16,000,000	4.000%	1.300%	2024	16,000,000	4.500%	3.990%
2012	16,000,000	3.500%	1.670%	2025	16,000,000	4.000%	4.070%
2013	16,000,000	3.500%	2.100%	2026	16,000,000	4.750%	4.150%
2014	16,000,000	3.500%	2.420%	2027	16,000,000	4.000%	4.150%
2015	16,000,000	3.500%	2.670%	2028	16,000,000	5.000%	4.190%
2016	16,000,000	3.750%	2.900%	2029	16,000,000	5.000%	4.240%
2017	16,000,000	3.875%	3.150%	2030	16,000,000	5.000%	4.300%
2018	16,000,000	4.000%	3.330%	2031	16,000,000	5.000%	4.340%
2019	16,000,000	4.000%	3.490%	2032	16,000,000	5.000%	4.360%
2020	16,000,000	4.000%	3.610%	2033	16,000,000	5.000%	4.390%
2021	16,000,000	4.000%	3.730%	2034	16,000,000	5.000%	4.390%
2022	16,000,000	4.000%	3.820%				

The Preliminary Official Statement of the State, dated September 9, 2009, related to the Bonds, which was deemed final by the State (the *"Deemed Final Official Statement"*), is incorporated herein and made a part hereof. The Final Official Statement of the State relating to the Bonds (as that term is defined in Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Act of 1934, as amended) shall consist of the Deemed Final Official Statement and this Addendum. Reference is made to the Deemed Final Official

Statement for a description of all other terms and provisions of the Bonds not described herein and for the definition of all capitalized terms not defined herein.

For further information with respect to the Bonds, please contact the Governor's Office of Management and Budget of the State at (217) 782-5886.

APPLICATION OF BOND PROCEEDS

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

Sources	
Par Amount	$400,000,000.00
Reoffering Premium	15,346,720.00
	$415,346,720.00
Uses	
Authorized Projects	$413,528,640.00
Costs of Issuance	249,550.00
Underwriter's Discount	1,568,530.00
	$415,346,720.00

ORIGINAL ISSUE DISCOUNT

The initial public offering price of the Bonds maturing on September 1, 2025 and September 1, 2027 (the *"Discount Bonds"*), is less than the principal amount payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Bonds, as set forth on the first page of this Official Statement Addendum (assuming it is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amount payable at maturity of the Discount Bonds, will be treated as "original issue discount." The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period (or shorter period from the date of the original issue) ending on September 1 and March 1 (with straight line interpolation between compounding dates). An owner who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity will treat the accrued amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes.

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of Original Issue Discount accruing each period will be added to the owner's tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity). Owners of Discount Bonds who dispose of Discount Bonds prior to maturity should consult their tax advisors concerning the amount of Original Issue Discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

The Original Issue Discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of any Discount Bonds should be aware that the accrual of Original Issue Discount in each year may result in a tax liability from these collateral tax consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial public offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible under the applicable provisions governing the determination of State or local income taxes that accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

AMORTIZABLE BOND PREMIUM

The initial public offering price of the Bonds maturing on September 1, 2010, through and including September 1, 2034, excluding those that mature on September 1, 2025 and September 1, 2027 (collectively, the "Premium Bonds"), is greater than the principal amount payable at maturity. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the "Bond Premium"). An owner who acquires a Premium Bond in the initial public offering will be required to adjust the owner's basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds (including sale, redemption or payment at maturity). The amount of amortizable Bond Premium will be computed on the basis of the taxpayer's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth in Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of such Premium Bonds and with respect to the state and local tax consequences of owning and disposing of the Premium Bonds.

FORM OF APPROVING LEGAL OPINION

The form of the unqualified approving opinion of Drinker Biddle & Reath LLP, Chicago, Illinois, Bond Counsel, is contained in *Appendix A* hereto.

UNDERWRITING

Merrill Lynch & Co., New York, New York (the *"Underwriter"*), has purchased the Bonds at an aggregate purchase price of $413,528,640.00, with the Underwriter paying costs of issuance in the amounts set forth above in "APPLICATION OF BOND PROCEEDS." The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering prices set forth in the table above. After the initial public offering, the Underwriter may change from time to time the public offering price.

RATINGS

Long term rating for the Bonds have been assigned as follows: Standard and Poor's has assigned "AA-" with a Negative Outlook; Fitch Ratings Inc. has assigned "A" with a Stable Outlook; and Moody's Investor Services has assigned "A1" with a Ratings Watch Negative.

Any explanations of the significance of such ratings may be obtained only from the respective rating agency. Generally a rating agency bases its rating on information and materials supplied to it, some of which are not contained herein, and on investigations, studies and assumptions of its own. The ratings are not a recommendation to buy, sell or hold any Bonds and the ratings and the Bonds should be evaluated independently. The ratings are subject to change or withdrawal at any time and any such change or withdrawal may affect the market price or marketability of the Bonds. The State and the Underwriter have undertaken no responsibility either to bring to the attention of the beneficial owners of the Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal, but as described in the Deemed Final Official Statement under the heading "THE OFFERING—Continuing Disclosure", the State has undertaken to give certain notices of any change in any rating that relates to the Bonds or the State that could affect the value of the Bonds.

FINANCIAL ADVISOR

First Southwest Company, New York, New York, has served as Financial Advisor to the State with respect to the issuance of the Bonds.

AUTHORIZATION

The State has authorized the distribution of this Official Statement Addendum. At the time of delivery of the Bonds, the State will furnish a certificate executed by the Director of the Governor's Office of Management and Budget of the State stating that to the best of her knowledge the Deemed Final Official Statement did not (as of the date of sale of the Bonds to the Underwriter) and this Official Statement Addendum does not (as of the date of delivery of the Bonds) contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

/s/ GINGER OSTRO

Director of the Governor's Office of Management and Budget of the State of Illinois

Dated: September 18, 2009

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Appendix A

FORM OF APPROVING OPINION OF
DRINKER BIDDLE & REATH LLP, BOND COUNSEL

State of Illinois
Springfield, Illinois

Re: State of Illinois General Obligation Bonds, Series A of September, 2009

Ladies and Gentlemen:

We have acted as bond counsel to the State of Illinois (the "State") in connection with the issuance by the State of its General Obligation Bonds, Series A of September, 2009, dated the date hereof (the "Bonds"), in the aggregate principal amount of $400,000,000, pursuant to the General Obligation Bond Act, 30 ILCS 330/1, et seq., as amended, and the Bond Sale Order of the Governor of the State and the Director of the Governor's Office of Management and Budget of the State, dated September 2, 2009 (the "Bond Sale Order"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on representations of the State contained in the Bond Sale Order, the certified proceedings and other certifications of public officials furnished to us, and certifications, representations and other information furnished to us by or on behalf of the State and others, including, without limitation, certifications contained in the tax compliance certificate of the State, dated the date hereof, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized, executed and delivered by the State and are valid and binding direct, general obligations of the State, secured by a pledge of its full faith and credit.

2. Under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on this date (the "Code"), the interest on the Bonds is excluded from gross income for federal income tax purposes. The opinion set forth in the preceding sentence is subject to the condition that the State comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The State has covenanted or represented that it will comply with such requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

3. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Preliminary Official Statement, dated September 9, 2009, relating to the Bonds, the Official Statement Addendum, dated September 18, 2009 relating to the Bonds, or any other offering material relating to the Bonds.

We express no opinion regarding any tax consequences arising with respect to the Bonds, other than as expressly set forth herein.

With respect to the enforceability of any document or instrument, this opinion is subject to the qualifications that: (i) the enforceability of such document or instrument may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance and similar laws relating to or affecting the enforcement of creditors' rights; (ii) the enforceability of equitable rights and remedies provided for in such document or instrument is subject to judicial discretion, and the enforceability of such document or instrument may be limited by general principles of equity; (iii) the enforceability of such document or instrument may be limited by public policy; and (iv) certain remedial, waiver and other provisions of such document or instrument may be unenforceable, provided, however, that, in our opinion, the unenforceability of those provisions would not, subject to the other qualifications set forth herein, affect the validity of such document or instrument or prevent the practical realization of the benefits thereof.

This opinion is given only as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

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PRELIMINARY OFFICIAL STATEMENT

STATE OF ILLINOIS

$400,000,000
GENERAL OBLIGATION BONDS, SERIES A OF SEPTEMBER, 2009

DATE OF SALE: SEPTEMBER 16, 2009

Bids Will Be Received Until 11:00 A. M. Central Daylight Savings Time

Preliminary Official Statement Printed September 9, 2009

Expected Date of Issuance (Delivery) September 23, 2009

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PREFACE

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

The Purchasers are authorized to incorporate the following sentence for inclusion in this Official Statement. The Purchasers have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Purchasers do not guarantee the accuracy or completeness of such information.

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

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

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

FORWARD-LOOKING STATEMENTS

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

BOND SUMMARY

Issuer:	State of Illinois
Offering:	$400,000,000 General Obligation Bonds, Series A of September, 2009.
Bidding Details:	Bids will be received until 11:00 A.M., Central Daylight Savings Time, September 16, 2009 via PARITY, as provided in the Official Notice of Bond Sale.
Dated Date:	Date of issuance (expected to be September 23, 2009).
Maturity:	$400,000,000 in principal will mature annually from September 1, 2010 to September 1, 2034.
Interest:	Interest on each Bond, computed on the basis of a 360-day year of twelve 30-day months, will be payable only on a semi-annual basis until the maturity date.
Security:	The General Obligation Bond Act, 30 ILCS 330/1 *et seq*., pursuant to which the Bonds are issued, constitutes an appropriation out of any money in the State Treasury of an amount sufficient to pay the interest on and principal of each Bond until its respective maturity date.
Form of Bonds:	Bonds will be issued in denominations of $5,000 or integral multiples thereof, in fully registered form through a global book-entry system. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Owners of the Bonds will not receive a certificate representing ownership interest.
Legal Opinion:	Drinker Biddle & Reath LLP, Chicago, Illinois, as Bond Counsel
Bond Registrar / Paying Agent:	Treasurer of the State of Illinois, Springfield, Illinois.
Bond Ratings:	Applications for long term ratings on this issue have been made to Moody's Investor Services, Inc., Fitch Ratings Inc. and Standard & Poor's, a Division of the McGraw Hill Companies.

For further information on this offering, please contact Phil Culpepper, (217) 782-4520 of the Governor's Office of Management and Budget, Springfield, Illinois or Charles Katz, (312) 569-1248, of Drinker Biddle & Reath LLP, Chicago, Illinois.

In the opinion of Drinker Biddle & Reath LLP, Chicago, Illinois ("Bond Counsel"), under existing laws, interest on the Bonds (as hereinafter defined) is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Bonds. In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax applicable to individuals and corporations and is not taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, under existing laws, interest on the Bonds is <u>not</u> *exempt from income taxes imposed by the State of Illinois. See "TAX MATTERS" and Appendix B herein.*

THE OFFERING

$400,000,000
STATE OF ILLINOIS
GENERAL OBLIGATION BONDS,
SERIES A OF SEPTEMBER, 2009

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 $400,000,000 aggregate principal amount of its bonds designated as the State of Illinois General Obligation Bonds, Series A of September, 2009 (the "*Bonds*"). The issuance will consist of aggregate principal amounts and authorizations in the approximate amounts as follows:

$25,500,000	for Capital Facilities purposes authorized by Section 3 of the General Obligation Bond Act of the State, as amended (30 ILCS 330/1 *et seq*.) (the "*Bond Act"*);
$336,500,000	for Transportation A-Highways purposes authorized by Section 4(a) of the Bond Act;
$15,000,000	for Transportation B-Mass Transit and Public Airport Facilities purposes authorized by Sections 4(b) and 4(c) of the Bond Act;
$3,000,000	for Anti-Pollution purposes authorized by Section 6 of the Bond Act; and
$20,000,000	for Coal and Energy Development purposes authorized by Section 7 of the Bond Act.

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

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

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AUTHORITY FOR ISSUANCE

The Bond Act authorize7s the State to issue and sell direct, general obligations of the State (the *"GO Bonds"*), including the Bonds. The Bond Act consolidated the authorization contained in prior bond acts into a single act. The Bonds constitute an installment of non-refunding multi-purpose GO Bonds under the Bond Act.

The Bond Act authorizes the State to issue and sell multi-purpose GO Bonds in the aggregate amount of $36,986,777,443, excluding refunding bonds referred to below, for the purposes and in the amounts listed below:

$7,968,463,443	For capital facilities within the State;
$6,447,129,000	For use by the Illinois Department of Transportation, Roads and Bridges;
$3,501,670,000	For use by the Illinois Department of Transportation, Public Transportation, Air and Rail;
$3,570,000,000	For grants to school districts;
$585,315,000	For anti-pollution purposes;
$698,200,000	For coal and energy development purposes; and
$13,466,000,000	GO Pension Funding Bonds for the purpose of funding or reimbursing a portion of the State's contributions to State retirement systems. See "PENSION SYSTEMS."

Note: Of the aggregate multi-purpose GO Bond authorization listed above, $750 million of Tobacco Securitization authorization sunset on June 30, 2003.

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

The Bond Act authorizes the issuance of GO Bonds in the amount of up to $4,839,025,000, at any time and from time-to-time outstanding, for the purpose of refunding any outstanding GO Bonds. See "INDEBTEDNESS – GENERAL OBLIGATION BONDS" for a description of the authorized and previously issued GO Bonds under the Bond Act.

The State is also authorized to issue additional forms of debt, including short-term certificates. See "INDEBTEDNESS" herein. Short-term certificates are authorized pursuant to the State Constitution and Short Term Borrowing Act, as amended (30 ILCS 340/1 *et seq*.) (the "*Short Term Borrowing Act"*). The Short Term Borrowing Act constitutes an appropriation out of any money in the State Treasury of an amount sufficient to pay the principal and interest on such short-term certificates. See "INDEBTEDNESS – SHORT-TERM DEBT" for a further discussion of the authorized, previously issued and currently outstanding short-term certificates under the Short Term Borrowing Act.

Amendments to the Bond Act, effective July 30, 2004, place certain restrictions on the issuance of GO Bonds, including the following: (i) at least 25% of the GO Bonds issued within a fiscal year must be sold pursuant to notice of sale and public bid; (ii) GO Bonds must be issued with principal or mandatory redemption amounts in equal amounts in each fiscal year beginning the year following issuance and for a term not to exceed 25 years, with the first maturity issued occurring within the fiscal year in which the GO Bonds are issued or within the next succeeding fiscal year; and (iii) GO Bonds may not be issued if, after their issuance, in the next State fiscal year, the amount of debt service on all then-outstanding GO Bonds exceeds 7% of the General Funds and Road Fund appropriations for the fiscal year immediately prior to the fiscal year of the issuance (the hereinafter defined Treasurer and Comptroller, acting together, can waive this requirement). The amendments also require the GOMB to comply with the Business Enterprise for Minorities, Females, and Persons with Disabilities Act (30 ILCS 575/1, *et seq*.) in respect to procuring services for the issuance of GO Bonds. Finally, no GO Bonds can be issued for refunding purposes unless (i) the refunding produces a net present value savings of at least 3% of the bonds being refunded and (ii) the maturities of the refunding bonds do not extend beyond the maturities of the bonds they refund.

Description of Bonds

The Bonds will bear interest from their issue date and will mature on September 1 of each of the years 2010 to 2034, inclusive. Interest on the Bonds is payable semiannually on the first days of September and March of each year, beginning on March 1, 2010, at the rates per annum specified by the successful bidder.

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

Maturity Schedule

The maturity schedule for the Bonds, subject to the exercise of the option to designate term bonds set forth below under the heading "Optional Designation of Term Bonds," is as follows:

Maturity Amount	September 1	Maturity Amount	September 1
$16,000,000	2010	$16,000,000	2023
$16,000,000	2011	$16,000,000	2024
$16,000,000	2012	$16,000,000	2025
$16,000,000	2013	$16,000,000	2026
$16,000,000	2014	$16,000,000	2027
$16,000,000	2015	$16,000,000	2028
$16,000,000	2016	$16,000,000	2029
$16,000,000	2017	$16,000,000	2030
$16,000,000	2018	$16,000,000	2031
$16,000,000	2019	$16,000,000	2032
$16,000,000	2020	$16,000,000	2033
$16,000,000	2021	$16,000,000	2034
$16,000,000	2022		

Redemption

Optional Redemption

The Bonds maturing on or after September 1, 2019 are subject to redemption prior to maturity at the option of the State as a whole, or in part, in integral multiples of $5,000, from such maturities as may be selected by the State (less than all of the Bonds of a single maturity to be selected by lot by the Bond Registrar as described under "Redemption Procedure" below), on September 1, 2018, and on any date thereafter, at the redemption price of par plus accrued interest to the redemption date.

Optional Designation of Term Bonds

Bidders have the option to designate and aggregate up to five maturities of the Bonds as one or two maturities of term bonds (the *"Term Bonds"*). Each designated maturity of Term Bonds shall be subject to mandatory sinking fund redemption at par in one or more consecutive years immediately preceding the year of maturity. Such mandatory sinking fund redemptions and payments at maturity shall be in the respective principal amounts shown for such years in the above table. Any of such serial maturities so designated as Term Bonds will mature serially in the amounts and at the times set forth in the above table.

If the Bonds are awarded to a bidder submitting a bid designating one or two maturities of Term Bonds, then each designated maturity of Term Bonds shall be subject to mandatory sinking fund redemption prior to maturity, by lot, at the principal amount thereof, plus accrued interest to the date of redemption thereof, from mandatory sinking fund payments that are required to be made in each designated year prior to maturity in amounts sufficient to redeem the principal amount of such bonds shown for such years in the above table.

The State may provide for the purchase of Term Bonds that are subject to mandatory redemption from its lawfully available funds on or prior to the 60th day preceding any date of mandatory redemption in an amount sufficient to retire the required amount of such Term Bonds on such mandatory redemption date. Any Term Bonds so purchased will be cancelled and credited against the mandatory sinking fund payments due on such mandatory redemption date.

Redemption Procedure

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

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

Security

Direct, General Obligations

The Bonds, together with all other GO Bonds, are direct, general obligations of the State, and by law the full faith and credit of the State is pledged for the punctual payment of interest on the Bonds as the interest becomes due and for the punctual payment of the principal thereof at maturity, or any earlier redemption date, and premium, if any. The Bond Act provides that the sections of the Bond Act making such pledge are irrepealable until all GO Bonds issued under the Bond Act, including the Bonds, have been paid in full.

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

State Funding Payments

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

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

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

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

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

The Interfund Borrowing Act, enacted by the General Assembly in February, 2009, authorized a one-time interfund loan of up to $335 million from the GOBRI Fund to the Hospital Provider Fund in order to facilitate the prompt implementation of the various Statewide health care initiatives. The Interfund Borrowing Act required that any amounts loaned pursuant to this authorization be repaid on or before April 14, 2009, with interest equal to the amount that would have been earned if the loan had not been made. The Interfund Borrowing Act is repealed effective July 1, 2009. On March 2, 2009, $335 million was transferred from the GOBRI Fund to the Hospital Provider Fund and this amount was repaid in full, together with interest, on March 24 , 2009.

DEPOSIT OF PROCEEDS AND INVESTMENT OF FUNDS

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

The Treasurer may, with the Governor's approval, invest and reinvest any money in the Bond Funds which is not needed for current expenditures due or about to become due from the Bond Funds, as permitted in the State's Deposit of State Moneys Act, (15 ILCS 520/1 *et seq.*) as amended, and Public Funds Investment Act, (30 ILCS 235/1 *et seq.*) as amended. All earnings from investment of moneys in the Transportation Bond, Series A Fund will be paid into the Road Fund and all earnings from investment of moneys in all other Bond Funds will be paid into the General Revenue Fund.

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

RATINGS

The State has applied to Moody's Investors Service, Inc. ("*Moody's*"), Fitch Ratings Inc. (*"Fitch")* and Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies ("*S&P*") (collectively, the "*Rating Agencies*"), for long-term ratings on the Bonds. 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 Bonds and the ratings and the Bonds should be evaluated independently.

As of the date of the Preliminary Official Statement, the State's long term General Obligation Bonds were rated "*A1*" with a Rating Watch Negative by Moody's and "*A*" with a Stable Outlook by Fitch. On August 19, 2009, S&P revised the outlook on the State's long term General Obligation Bond rating from "*AA-*"with a Stable Outlook to "*AA-*" with a Negative Outlook. Each such rating reflects only the views of such rating agency.

The State will provide appropriate periodic credit information necessary for maintaining ratings on the Bonds to the rating agencies. Except as may be required by the Undertaking as defined below under the subheading "CONTINUING DISCLOSURE," the State undertakes no responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal. If assigned, there is no assurance that any such rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely. Any revision or withdrawal of any such rating may have an adverse effect on the prices at which the Bonds may be resold.

LEGAL OPINION

The Bonds are offered subject to the approving opinion of Drinker Biddle & Reath LLP, Chicago, IL (*"Bond Counsel"*).

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

TAX MATTERS

GENERAL

In the opinion of Bond Counsel, under existing laws, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Bonds (the "Code"). The opinion of Bond Counsel is based on certain certifications, covenants and representations of the State and is conditioned on the State's continuing compliance therewith. In the opinion of Bond Counsel, under existing laws, interest on the Bonds is not exempt from income taxes imposed by the State. See Appendix B for the form of opinion of Bond Counsel.

The Code imposes certain requirements which must be met subsequent to the issuance of the Bonds as a condition to the exclusion from gross income of interest on the Bonds for federal income tax purposes. Noncompliance with such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds , regardless of the date on which such noncompliance occurs. Should the Bonds bear interest that is not excludable from gross income for federal income tax purposes, the market value of the Bonds would be materially and adversely affected. It is not an event of default if interest on the Bonds is not excluded from gross income for federal income tax purposes pursuant to any provision of the Code that is not in effect on the date of issuance of the Bonds.

The interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, and, pursuant to the American Recovery and Reinvestment Act, signed into law on February 17, 2009, is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Although Bond Counsel will render an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status and the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors with regard to the other tax consequences of owning the Bonds.

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code and not being included in adjusted current earnings under Section 56 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences of holding the Bonds (including, but not limited to, those listed above).

Under existing laws, interest on the Bonds is not exempt from income taxes imposed by the State of Illinois.

The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Bonds.

ORIGINAL ISSUE DISCOUNT

The initial public offering price of the Bonds maturing on September 1 in the years 20__ through and including 20__ (collectively the "Discount Bonds"), is less than the principal amount payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Bonds, as set forth on the inside cover page of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amount payable at maturity of the Discount Bonds, will be treated as "original issue discount." The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period ending on March 1 and September 1 (with straight line interpolation between compounding dates). An owner who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity will treat the accrued amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes.

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount

Bonds (including sale, redemption or payment at maturity). Owners of Discount Bonds who dispose of Discount Bonds prior to maturity should consult their tax advisors concerning the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

The original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial public offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible under the applicable provisions governing the determination of state or local income taxes that accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

AMORTIZABLE BOND PREMIUM

The initial public offering price of the Bonds maturing on September 1 in the years 20__, through and including 20__ (collectively, the "Premium Bonds"), is greater than the principal amount payable at maturity. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the "Bond Premium"). An owner who acquires a Premium Bond in the initial public offering will be required to adjust the owner's basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds (including sale, redemption or payment at maturity). The amount of amortizable Bond Premium will be computed on the basis of the taxpayer's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth in Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of such Premium Bonds and with respect to the state and local tax consequences of owning and disposing of the Premium Bonds.

Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax-exempt securities, are found in Section 75 of the Code. Dealers in tax-exempt securities are urged to consult their own tax advisors concerning the treatment of Bond Premium.

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

CONTINUING DISCLOSURE

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

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

LITIGATION

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

The following describes certain pending lawsuits in Illinois:

Tax Protest Litigation:

On August 25, 2009, W. Rockwell Wirtz, purportedly on behalf of Wirtz Beverage Illinois, LLC, and the taxpayers of Illinois filed suit in the Circuit Court of Cook County against defendants Governor Pat Quinn, Comptroller Dan Hynes, Treasurer Alexi Giannoulias, Revenue Director Brian Hamer, all members of the Illinois Gaming Board and Lottery Superintendent Jodie Winnett. All are sued in their official capacities. The suit challenges the constitutionality of Public Acts 96-34, 96-37, 96-38 and 96-35. The four Acts in conjunction are commonly referred to as the Capital Bill. Plaintiff seeks to enjoin any expenditure of any public funds raised by the Capital Bill. The public funds challenged in this lawsuit are separate and distinct from the State revenues dedicated to the repayment of the Bonds contemplated by this Preliminary Official Statement. The case remains pending.

Fee Protest Litigation:

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 surcharge proceeds to the State's General Funds pursuant to Public Act 93-32 was unconstitutional. As a result, the court escrowed $11.5 million of surcharge proceeds pending final disposition of the case. The State appealed the ruling directly to the Illinois Supreme Court. The Court heard argument in May 2005 and in October 2005 released its opinion reversing the lower court's order granting plaintiff summary judgment and remanding the matter to the circuit court for further proceedings. In October 2005, on the State's motion, the trial court released approximately $1.4 million from escrow to fund Illinois Workers' Compensation Commission ("*IWCC*") operations through November 2005. The court further agreed to the future release, on a monthly basis upon the State's petition, of amounts sufficient to fund ongoing IWCC operations. Since October 2005, the IWCC has on a regular basis requested and the Circuit Court of Cook County has released monies sufficient to fund the IWCC's on-going operations. As of July 2009, approximately $12.4 million remained in escrow. In addition, the trial court has allowed certain insurance companies to make surcharge payments into the Protest Fund. As of July 2009, approximately $47 million in such payments have been deposited into the Protest Fund. The case remains pending.

Several other special interest groups have filed similar actions challenging the constitutionality of fee increases and the application of legislatively-mandated transfer mechanisms. In an action brought in Sangamon County in December 2004, a group of trade associations representing depository institutions and mortgage lenders challenged the assessment of fees on and application of certain provisions of the Illinois Finance Act to their industries. In March 2005, a Sangamon County judge issued a preliminary injunction barring further transfers from the funds at issue pending resolution of the matter. In approximately March, 2008, the State entered into an agreement to settle the litigation with the plaintiff trade associations. Under the terms of the executed settlement agreement, the State retained approximately $50.6 million from the funds at issue, as well as the right to periodically access 10% of the balance of those funds through January 2011. The case was dismissed in accordance with the settlement agreement in June, 2009.

In May and June 2006, trade associations representing property and casualty insurance and real estate sales interests, respectively, and a motorcyclists' organization filed similar actions in Sangamon County challenging certain fees and transfers of funds. The Sangamon County Court entered orders preliminarily preventing the State from transferring monies from the funds at issue, pending further consideration of the matters.

In June 2006, in the motorcyclist's case, the Sangamon County Court denied the plaintiffs' motion for a temporary restraining order as to all but two funds; plaintiffs had previously sought to enjoin transfers from 39 state funds. In November 2006, the Sangamon County Court granted the State's motion to dismiss the motorcyclists' litigation as to two State funds, and in October 2008, the Sangamon County Court granted the State's motion for summary judgment the motorcyclists' litigation with respect to the final State fund. Following the Sangamon County Court's denial of the motorcyclists' motion to reconsider in January, 2009, the motorcyclists filed an appeal with the Illinois Appellate Court. The appeal remains pending.

In January 2008, in the property and casualty insurance case, the Sangamon County Court denied the plaintiff's motion for summary judgment, holding that the statutory authorization to transfer money from the relevant fund was controlling over an earlier statutory prohibition for such fund transfers. Finally, in the real estate sales' litigation, the State's motion to dismiss remains pending before the Sangamon County Court.

The State anticipates that it will dispose, in whole or substantial part, of all the remaining matters pending in Cook and Sangamon Counties based upon the trial court rulings in the motorcyclist and property and casualty cases, as well as prior Illinois Appellate and Supreme Court rulings.

In early 2005, a Sangamon County Court dismissed a suit similar to those described above filed by an aggregate producers' industry association to challenge an increase in permit fees and the transfer of a portion of the funds generated by the fee increase to the State's General Funds. In May 2005, the Illinois Appellate Court upheld the trial court's dismissal, rejecting the plaintiff's challenges to the fees and transfers. The Illinois Supreme Court subsequently refused the plaintiffs' request for review, letting stand the Appellate Court's order upholding dismissal. The State thereafter obtained release of approximately $1.1 million, which had been held in escrow during the litigation.

<u>Retaliatory Tax Litigation</u>:

In May 2005, the Director of Insurance assessed Sun Life Assurance Company of Canada approximately $4 million in additional tax owed pursuant to the so-called "*retaliatory*" statute (215 ILCS 5/444). Sun Life objected to the assessment and filed an action seeking a declaration that the tax is unconstitutional and in violation (among other reasons) of the Commerce Clause. The company sought and obtained an injunction barring the State from collecting the tax. The State prevailed in both the trial and appellate courts, and on Nov. 29, 2007, the United States ("U.S.") Supreme Court affirmed the trial and appellate courts in all regards, holding that Illinois' insurance retaliatory tax law does not discriminate against non-U.S. insurers. The court further held that federal law, and specifically the McCarran-Ferguson Act, imposes no limits on a state's authority to assess retaliatory taxes on alien insurers. In a separate action, John Hancock Life Insurance Company filed suit in Cook County challenging the State's collection of approximately $7 million in retaliatory tax. On January 2, 2008, the trial court granted summary judgment for the State, holding that the application of the retaliatory tax to this company on these facts did not violate the Illinois Constitution's Uniformity Clause. In August of 2008, Hancock filed an appeal in Illinois Appellate Court. The appeal remains pending.

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 State Constitution, these officials were elected at a general election in November 2006 and took office as of January 8, 2007. The current Governor, Pat Quinn, was elected Lieutenant Governor in such election, took office as Lieutenant Governor on January 8, 2007, and took office as Governor on January 30, 2009, after Rod R. Blagojevich was removed from such office by the State Senate. The next State general election will be held in November 2010.

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

CONSTITUTIONAL PROVISIONS RELATING TO LONG-TERM BORROWING

Section 9(a) of Article IX of the State Constitution defines the term “State debt” as “bonds or other evidences of indebtedness which are secured by the full faith and credit of the State or are required to be repaid, directly or indirectly, from tax revenues ...”

Section 9(b) of Article IX of the State Constitution, pursuant to which the Bond Act was enacted, provides:

> (b) State debt for specific purposes may be incurred or the payment of State or other debt guaranteed in such amounts as may be provided either in a law passed by the vote of three-fifths of the members elected to each house of the General Assembly or in a law approved by a majority of the electors voting on the question at the next general election following passage. Any law providing for the incurring or guaranteeing of debt shall set forth the specific purposes and the manner of repayment.

CONSTITUTIONAL PROVISIONS RELATING TO SHORT-TERM BORROWING

Section 9(c) and 9(d) of Article IX of the State Constitution, pursuant to which the Short Term Borrowing 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.
>
> (d) State debt may be incurred by law in an amount not exceeding 15% of the State's appropriations for that fiscal year to meet deficits caused by emergencies or failures of revenue. Such law shall provide that the debt be repaid within one year of the date it is incurred.

In February 2007, General Obligation Certificates in the amount of $900 million were issued pursuant to the provisions of the Short Term Borrowing Act authorized by Section 9(c) of Article IX of the State Constitution as set forth above. In June 2007 the February 2007, General Obligation Certificates were repaid. In September 2007, General Obligation Certificates in the amount of $1,200 million were issued pursuant to the provisions of the Short Term Borrowing Act authorized by Section 9(c) of Article IX of the State Constitution as set forth above. In November 2007 the September 2007, General Obligation Certificates were repaid. In April 2008, General Obligation Certificates in the amount of $1,200 million were issued pursuant to the provision of the Short Term Borrowing Act authorized by Section 9(c) of Article IX of the State Constitution as set forth above. In May and June 2008 the April 2008, General Obligation Certificates were repaid. In December 2008 General Obligation Certificates in the amount of $1,400 million were issued pursuant to the provisions of the Short Term Borrowing Act authorized by Section 9(c) of Article IX of the State Constitution as set forth above. In May 2009 General Obligation Certificates in the amount of $1,000 million were issued pursuant to the provisions of the Short Term Borrowing Act authorized by Section 9(d) of Article IX of the State Constitution as set forth above. The May 2009 General Obligation Certificates are to be paid in two maturities in April 2010 and May 2010. In August 2009 General Obligation Certificates in the amount of $1,250 million were issued pursuant to the provisions of the Short Term Borrowing Act authorized by Section 9(d) of Article IX of the State Constitution as set forth above. The August General Obligation Certificates are to be paid in three maturities in March 2010, April 2010 and June 2010. See "INDEBTEDNESS – SHORT TERM DEBT."

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

GOMB was created in 2003 by the Governor's Office of Management and Budget Act (20 ILCS 3005/1 *et seq*.). GOMB's predecessor in managing State debt was the Bureau of the Budget, created in 1969 by act of the General Assembly. GOMB is headed by the Director, who is appointed by the Governor. In addition to assisting the Governor in developing the State's annual operating and capital budgets, 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 – LIMITED CONTINUING DISCLOSURE UNDERTAKING."

STATE FINANCIAL INFORMATION

The tables that follow present pertinent financial information about the State. Data is for the State's fiscal years which run from July 1 through June 30. Tables 1, 1-A, 2, 4a and 6 of this section, unless otherwise noted, are based on information contained in detailed annual reports or records of the Illinois Office of the Comptroller (the *"Comptroller"*). The fiscal year 2008 ("*FY08*") Consolidated Annual Financial Report (*"CAFR"*) may be found at: *www.apps.ioc.state.il.us/ioc-pdf/CAFR_2008.pdf*. As of the date listed on the cover of this Preliminary Official Statement, the fiscal year 2009 CAFR has not been released. When the fiscal year 2009 CAFR is released, it may be found at www.ioc.state.il.us/library/cr.cfm. Tables 3, 4 and 5 are based on records of the GOMB, though Tables 4 and 5 also include information drawn from various reports or records of the Comptroller. For purposes of Tables 1 and 2 of this section, expenditures are deemed to be recognized when payment warrants are issued.

TABLE 1

RECEIPTS AND DISBURSEMENTS[1], GENERAL FUNDS[2]
FISCAL YEARS 2005-2009
($ IN MILLIONS)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Available Balance, Beginning	**$182**	**$497**	**$590**	**$642**	**$141**
Receipts					
State Revenues					
Income Tax	$9,151	$10,063	$11,158	$12,180	$10,933
Sales Tax	$6,595	$7,092	$7,136	$7,215	$6,773
Public Utility Tax	$1,056	$1,074	$1,131	$1,157	$1,168
Cigarette Tax	$450	$400	$350	$350	$350
Inheritance Tax	$310	$272	$264	$373	$288
Liquor Gallonage Tax	$147	$152	$156	$158	$158
Insurance Tax & Fees	$342	$317	$310	$298	$334
Corporate Franchise Tax	$181	$181	$193	$225	$201
Investment Income	$73	$153	$204	$212	$81
Intergovernmental Transfers	$433	$350	$307	$302	$253
Other	$652	$479	$482	$474	$445
Total, State Revenues	**$19,390**	**$20,533**	**$21,691**	**$22,944**	**$20,984**
Federal Revenues					
Medicaid & Social Services	$4,257	$4,725	$4,703	$4,815	$6,567
Transfers In					
From Other State Funds[3]	$2,513	$2,101	$2,246	$1,900	$1,593
Hospital Provider Fund[4]	$3	-	-	-	-
Total Revenues	**$26,163**	**$27,359**	**$28,640**	**$29,659**	**$29,144**
Short-Term Borrowing	$765	$1,000	$900	$2,400	$2,400
Total Cash Receipts[3]	**$26,928**	**$28,359**	**$29,540**	**$32,059**	**$31,544**
Cash Disbursements					
Expenditures for Appropriations (See Table 1-A)	$22,187	$24,193	$25,604	$26,959	$26,982
Transfers Out					
Short-Term Borrowing[5]	$768	$1,014	$911	$2,400	$1,424
Debt Service Funds[6]	$852	$1,026	$1,064	$1,132	$1,102
Other State Funds[3]	$2,806	$2,033	$1,910	$2,069	$1,897
Total Cash Disbursements	**$26,613**	**$28,266**	**$29,489**	**$32,560**	**$31,405**
Cash Balance, Ending	**$497**	**$590**	**$642**	**$141**	**$280**

[1] Based on information from the Illinois 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] Excludes transfers to and from the Budget Stabilization Fund that by statute must be replenished by the end of the fiscal year during which such cash flows borrowings are made.

[4] For Fiscal Year 2005, Transfers In reflects the net amount between $982 million received and the $979 million transferred out to the Hospital Provider Fund.

[5] See "INDEBTEDNESS" section for additional information.

[6] Includes debt service on G.O. Bonds.

TABLE 1A
CASH EXPENDITURES BY CATEGORY[1]
FISCAL YEARS 2005-2009
($ IN MILLIONS)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Cash Expenditures					
Operations	$6,347	$6,390	$6,656	$6,906	$7,332
Awards and Grants	16,184	17,616	18,695	20,247	22,035
Permanent Improvements	10	11	10	10	5
Refunds	23	16	20	18	15
Vouchers Payable Adjustments	(401)	170	234	(208)	(2,392)
Prior Year Adjustments	25	(10)	(11)	(14)	14
Total Expenditures for Appropriations	**$22,188**	**$24,193**	**$25,604**	**$26,959**	**$27,009**

1 Based on information from the Office of the Comptroller

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TABLE 2
RECEIPTS AND DISBURSEMENTS[1] - ROAD FUND
FISCAL YEARS 2005-2009
($ IN MILLIONS)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Available Balance, Beginning	**$142**	**$312**	**$777**	**$421**	**$388**
Receipts					
State Revenues					
Motor Vehicle & License Fees	585	770	746	747	772
Certificates of Title	155	91	88	85	77
Property Sales (City & County)	70	58	64	72	68
Miscellaneous	42	63	93	73	124
Total, State Revenues	**851**	**982**	**991**	**978**	**1041**
Federal Revenues	868	1024	1020	1257	1234
Transfers In					
Motor Fuel Fund	337	337	385	335	317
Other Funds	-	-	-	-	-
Total Receipts	**$2,056**	**$2,343**	**$2,396**	**$2,570**	**$2,593**
(Revenues + Transfers In)					
Disbursements					
Expenditures for Appropriations	1,614	1,592	2,428	2,312	2,285
Transfers Out					
Debt Service Funds[2]	249	249	255	258	245
Other State Funds	24	37	69	32	35
Total Transfers Out	**273**	**286**	**324**	**291**	**279**
Total Disbursements	**$1,887**	**$1,878**	**$2,752**	**$2,602**	**$2,564**
(Expenditures + Transfers Out)					
Cash Balance, Ending	**$312**	**$777**	**$421**	**$388**	**$418**

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

[2] Reflects debt service on General Obligation Bonds

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TABLE 3
GENERAL FUNDS APPROPRIATIONS[1]
FY 2008 ACTUAL VS. FY 2009 BUDGET
($ IN MILLIONS)

Category	FY09 Actual	FY10 Budget	$ Change	% Change
Elementary & Secondary Education	$7,445	$7,308	-$137	-1.8%
Higher Education	$2,466	$2,002	-$464	-18.8%
Healthcare & Family Services (Public Aid)	$9,642	$7,809	-$1,833	-19.0%
Revenue	$164	$143	-$22	-13.3%
Human Services	$4,228	$3,992	-$236	-5.6%
Corrections	$1,351	$1,147	-$204	-15.1%
Children & Family Services	$914	$865	-$49	-5.3%
Central Management Services	$76	$90	$14	18.5%
State Police	$228	$287	$60	26.2%
Other Agencies	$3,770	$2,442	-$1,328	-35.2%
Budgeted Appropriations	**$30,283**	**$26,085**	**-$4,199**	**-13.9%**
Unspent Appropriations (Salvage)	-$322	-$951	-$629	195.4%
Net Appropriations (Spending)	**$29,961**	**$25,133**	**-$4,828**	**-16.1%**

[1] *Based on information from the Illinois Office of the Comptroller and GOMB*

[2] *FY 2009 appropriation amounts include state pension contributions, while FY2010 appropriations amounts do not.*

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Table 4
General Funds Cash Receipts[1]
FY 2008 Actual vs. FY 2009 Budget & Actual
($ in millions)

	FY 2008 Actual	FY 2009 Enacted	FY 2009 Actual	FY 2009 vs. 2008	Percent Change
Cash Receipts					
State Sources, Cash Receipts:					
Net Individual Income Tax	$10,320	$9,228	$9,223	($1,097)	-10.63%
Net Corporate Income Tax	$1,860	$1,635	$1,710	($150)	-8.06%
Net Income Taxes	**$12,180**	**$10,863**	**$10,933**	**($1,247)**	**-10.24%**
Sales Taxes	**$7,215**	**$6,715**	**$6,773**	**($442)**	**-6.13%**
Other Sources					
Public Utility Taxes	$1,157	$1,159	$1,168	$11	0.95%
Cigarette Taxes	$350	$350	$350	$0	0.00%
Inheritance Tax (gross)	$373	$275	$288	($85)	-22.79%
Liquor Gallonage Taxes	$158	$161	$158	$0	0.00%
Insurance Tax and Fees	$298	$325	$334	$36	12.08%
Corporation Franchise Tax & Fees	$225	$205	$201	($24)	-10.67%
Investment Income	$212	$80	$81	($131)	-61.85%
Cook County IGT	$302	$253	$253	($49)	-16.31%
Riverboat Gambling Taxes	$0	$0	$0	($0)	
Other	$474	$452	$445	($29)	-6.20%
Total: Other State Sources	**$3,550**	**$3,260**	**$3,278**	**($272)**	**-7.66%**
Total: State Revenues	**$22,945**	**$20,838**	**$20,984**	**($1,961)**	**-8.55%**
Transfers In:					
Lottery Fund	$657	$625	$625	($32)	-4.82%
State Gaming Fund	$564	$470	$430	($134)	-23.71%
Other Funds	$679	$775	$537	($142)	-20.91%
Total: State Transfers In	**$1,900**	**$1,870**	**$1,593**	**($307)**	**-16.18%**
Total: State Sources	**$24,845**	**$22,708**	**$22,577**	**($2,268)**	**-9.13%**
Federal Sources					
Cash Receipts	$4,815	$7,123	$6,567	$1,752	36.39%
Total: Federal Sources	**$4,815**	**$7,123**	**$6,567**	**$1,752**	**36.39%**
Total Revenues and Transfers In	**$29,660**	**$29,831**	**$29,144**	**($516)**	**-1.74%**
Short-Term borrowing	$2,400	$0	$2,400	$0	0.00%
Transfer from Budget Stabilization Fund	$276	$0	$576	$300	108.70%
Hospital Provider Fund	$1,504	$0	$0	($1,504)	-100.00%
Total: Cash Receipts	**$33,840**	**$29,831**	**$32,120**	**($1,720)**	**-5.08%**

[1] Source: Office of the Comptroller

TABLE 4A

FISCAL YEAR END CASH BALANCES BY FUND CATEGORY -- FY2000-FY2009

(amounts in $ millions)

FUND CATEGORY	FY2000	FY2001	FY2002	FY2003 *	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
General Funds	$ 1,517	$ 1,126	$ 256	$ 317	$ 182	$ 497	$ 590	$ 642	$ 141	$ 280	
Highway Funds	$ 1,014	$ 1,310	$ 1,198	$ 701	$ 522	$ 733	$ 926	$ 747	$ 814	$ 688	
Special State Funds	$ 2,297	$ 2,153	$ 2,180	$ 1,924	$ 2,618	$ 2,327	$ 2,433	$ 2,734	$ 2,741	$ 2,574	
Bond Financed Funds	$ 569	$ 494	$ 269	$ 252	$ 199	$ 228	$ 533	$ 203	$ 77	$ 68	
Debt Service Funds	$ 458	$ 436	$ 487	$ 1,050	$ 624	$ 648	$ 626	$ 638	$ 649	$ 654	
Revolving Funds	$ 60	$ 43	$ 47	$ 48	$ 127	$ 91	$ 69	$ 63	$ 63	$ 29	
State Trust Funds	$ 1,369	$ 1,344	$ 1,335	$ 1,301	$ 1,356	$ 1,619	$ 1,944	$ 2,220	$ 2,520	$ 2,357	
June 30th amounts	**$ 7,283**	**$ 6,906**	**$ 5,773**	**$ 5,592**	**$ 5,628**	**$ 6,142**	**$ 7,122**	**$ 7,247**	**$ 7,005**	**$ 6,650**	**N/A**
August 31st amounts	**$ 5,844**	**$ 6,160**	**$ 6,039**	**$ 5,280**	**$ 6,828**	**$ 4,978**	**$ 5,767**	**$ 6,380**	**$ 6,505**	**$ 6,445**	**$ 5,832**

* Excludes proceeds of 2003 Pension Obligation Pensions Bonds for comparability purposes.

FISCAL YEAR 2009 OVERVIEW

The FY09 unaudited results are presented in Tables 1 and 1A on a cash basis (receipts and disbursements) with comparative data for FY05 - 09 for the General Funds. Table 2 provides similar cash basis results for the Road Fund. Table 3 provides a comparison of appropriations for FY09 and FY10 for the General Funds. Table 4 compares General Funds cash receipts for FY08 and 09 (budget and actual). Table 4A provides a ten year history of all state funds, by major fund category, that are available to support the general obligation pledge.

FISCAL YEAR 2009 UNAUDITED RESULTS

As illustrated in Table 5, State Source Revenues for the General Funds totaled $20,984 million in FY09, a $1,960 million or 8.5% decrease from FY08. The state recognizes all revenues on a cash basis, which are receipts collected during the fiscal year. The FY09 decrease was primarily related to the economically sensitive income and sales taxes that collectively decreased by $1,689 or 8.7%, corresponding to the national recession that began in 2008. Federal Source Revenues totaled $6,567 million, a $1,752 million increase or 36.4% from FY08, reflecting additional receipts of $1,566 million from the American Recovery and Reinvestment Act of 2009 (ARRA). Statutory transfers in were $1,593 million, or a $307 million decreaseor 16.1% from FY08 results, primarily reflecting year-to-year timing differences in such cash transfers, as well as and the lack of special fund transfers to the General Revenue Fund. In the aggrergate, total resources (revenues plus statutory transfers in) decreased by $515 million or 1.7% in FY09 to a total of $29,144 million.

General Funds appropriations for FY09 increased by $2,745 million or 10%, to $30,283 million over the comparable FY08 amount, including approximately $426 million of pension contributions that were not originally appropriated in the adopted FY09 budget but are reflected in Table 5 amounts due to a continuing appropriations statutory provision for pensions. In addition, Medicaid appropriations were increased by approximately $1,491 million through a supplemental appropriation, as further described below. FY09 appropriations for elementary and secondary education grants increased by approximately $340 million over FY08 levels. Estimated net appropriations expended increased to $29,961 million, which was approximately $2,807 million or 10.3% greater than expended appropriations in FY08.

Reflecting the provisions of ARRA and the ability to receive the incremental Medicaid reimbursements associated with an increased Federal Medical Assistance Program (FMAP) “match” to approximately 60.5% of state expenditures (versus the base amount of 50.3%), the State appropriated a supplemental Medicaid amount of $1,491 million in FY09. The additional appropriation was necessary as authorization for Medicaid payments sufficient to comply with the ARRA requirement that the State be current (i.e., 30 days or less) as of June 1, 2009 for nursing home, hospital and physician payments (to generate the additional federal matching dollars). In addition, the Governor’s FY09 Revised Budget (May) reflected use of the enhanced federal FMAP match to bring all Medicaid provider accounts to current status, or approximately 30 days. Without the additional Medicaid reimbursements, the state’s backlog of Medicaid-related bills would have increased to approximately 90 days by the end of FY09.

The final net appropriations amount will not be determined until subsequent to the end of the “Lapse Period,” which is statutorily set at 60 days after the June 30th fiscal year end date, as well as completion of the audit of the budget basis financial statements for fiscal 2009. Any FY09 liability incurred by the state prior to June 30th that is presented to the state during the Lapse Period and for which an available appropriation remains for that fiscal year, is deemed a Lapse Period Expenditure and charged to the FY09 appropriation.

Statutory transfers out were $2,999 million, a $203 million decrease or -6.3% in FY09, reflecting, in part, reduced revenue sharing transfers to local government associated with reduced income tax collection by the state, as well as reduced debt service payments on general obligation bonds.

In sum, total spending (expenditures plus statutory transfers out) was $32,960 million, an increase of $2,604 million or 8.6% in FY09.

In anticipation of an FY09 budgetary deficit associated with revenue shortfalls, and based upon the state’s ability to borrow across fiscal years under such revenue shortfalls, the Governor proposed a $2,250 million FY09 General Obligation Certificate borrowing in the FY10 budget introduced on March 18, 2009. The first series of $1,000 million was issued in May 2009 and the second series of $1,250 million was issued in August 2009. Both series are to be retired in FY2010.

Reflecting actual FY09 revenues plus statutory transfers in, as well as estimated FY09 expenditures plus statutory transfers out, the estimated General Funds budget basis operating deficit for FY09 is $3,815 million. The operating deficit was partially financed through the issuance of $1,000 million in General Obligation Certificates in May under the statutory provision permitting inter-year borrowings to fund unanticipated revenue shortfalls. Reflecting that borrowing, net of an intra-year cash flow financing of $1,400 million General Obligation Certificates issued in December 2008 and fully retired with interest costs of approximately $24 million prior to June 30, 2009, resulted in an estimated budget basis fund balance deficit of $3,673 million including the carry-over FY08 deficit of $834 million.

The estimated FY09 budget basis deficit of $2,839 million was financed by an estimated increase in accounts payable of $2,978 million to a projected $3,953 million at the end of FY09. General Funds cash increased by $139 million to $280 million at June 30, 2009, reflecting an increase in accounts payables in excess of the estimated FY09 budget basis deficit. Total General Funds operating cash, including the Budget Stabilization Fund of $276 million, was $556 million.

The audited *Traditional Budgetary Financial Report* for FY09 is projected to be completed in approximately December of 2009 and will be found at that time at http://www.ioc.state.il.us/Library/cr.cfm along with budget basis reports of prior fiscal years. Likewise, the audited *Comprehensive Annual Financial Report* for FY09 has not been completed as of this Offering. Prior fiscal years' CAFR's can be found at that same website.

Budget estimates, projections and forecasts are based solely on information available as of the date of this offering and are subject to subsequent revision without notice.

FISCAL YEAR 2009 CAPITAL BUDGET

The FY09 Capital Budget contains total appropriations of $13,939 million, an increase of $5,060 million or 57% versus the FY08 Capital Budget. The emphasis on investment in existing State facilities and assets to achieve maintenance cost efficiencies remained a priority in the FY09 Capital Budget. Within limitations considered by debt affordability analysis, the total GO Bond sales for FY09 were approximately $150 million.

Total bond-financed capital appropriations in the FY09 Capital Budget were $3,752 million, not all of which have corresponding bond authorization, but which provide implementation flexibility between new and re-appropriated projects during FY09.

Total capital funded out of current revenues is $9,422 million. The FY09 Capital Budget included $1,945 million in new pay-as-you-go Road Program appropriations and $2,556 in Federal Recovery funds, the primary purpose of which is to maintain existing roads and bridges. Investment in transportation infrastructure was further emphasized in the passage of the Jump start capital bill which provides $3 billion in state bond funds for critical improvements for roads, bridges and transit.

FISCAL YEAR 2010 BUDGET

The Governor introduced the FY10 proposed operating budget on March 18, 2009. The General Assembly passed a series of appropriation bills by May 31, 2009, the statutory deadline for adoption of a budget with a simple majority. Subsequently, the Governor vetoed several of those appropriation bills. The General Assembly on July 15, 2009 passed by a super-majority (statutorily required of at least 60%) a new bill that was signed by the Governor on that same date. The approved FY10 Adopted Budget is reflected in Table 5 and hereafter referred to as the FY10 Budget.

The FY10 Budget projects total state source revenues of $19,947 million, which is $1,037 million or -4.9% lower than actual FY09 Revenues. The FY10 revenue forecast reflects the deepening and continuing recession and projects the following changes in economically-sensitive base revenues: (1) Individual Income Tax (net of estimated refunds) of $9,206 million which is an $18 million or -0.2% reduction from actual FY09 revenues, (2) Corporate Income Tax (net of estimated refunds) of $1,133 million, a $578 million or -33.8% reduction from the actual FY09 amount, and (3) Sales Tax of $6,394 million, a $379 million or -5.6% reduction from the actual FY09 collections. The FY10 Budget maintains the same Refund Fund Rates for income taxes (as discussed in the **Tax Structure** section that follows below) as utilized in the FY09 budget, resulting in an estimated increase in the Refund Fund backlog for corporate income tax refunds of approximately $370 million by the end of FY10, versus the amount reflected in the proposed operating budget introduced on March 18, 2009.

Beyond these reductions in economically sensitive taxes, the FY10 Budget projected an increase of $564 million in federal revenues, an 8.6% increase over the actual FY09 amount. The increased revenue reflects an increase in FY10 Medicaid receipts as well as approximately $374 million in Federal stimulus receipts available for any General Fund purpose. In addition, Transfers In reflect $352 million of excess balances from other state Special Funds as well as $245 million of increased revenue to support the capital program which will be transferred to the general fund to cover expenses that were shifted to GRF.

The FY10 Budget projects total General Funds spending of $27,975 million which is $4,984 million or -15.1% less than the projected FY09 spending. The estimated net decrease was primarily due to the following factors: (1) approximately $3,466 million of General Funds pension contributions are not appropriated in the General Funds but instead will be funded through issuance of General Obligation Pension Funding Bonds authorized by Public Act 96-43; (2) the General Obligation Pension Funding Bonds include approximately $1,100 million increase over FY09 General Funds pension contributions reflecting both actuarial losses incurred in FY08 as well as the final year of the statutorily-mandated increase called for in Public Act 88-593 (see the **Pension Systems** section below for further information); (3) approximately $1,500 million in supplemental Medicaid appropriations in FY09, used as a onetime reduction of payment backlog in that fiscal year, are eliminated in FY10; (4) minimal FY10 appropriation increases including $118 million for the Department of Aging; and (5) a net reduction in Transfers Out primarily associated with debt restructuring net of new debt service including the issuance of the Pension Funding Bonds.

As detailed in Table 5, the estimated FY10 budget basis operating surplus of $1,324 million is utilized to retire the inter-year $1,000 million May 2009 General Obligation Notes that were issued to partially finance the FY2009 deficit. The balance of the FY10 surplus will reduce the FY 10 budget basis accounts payable by $279 million. As a result, General Funds cash is projected to remain unchanged from FY2009 at $280 million, and the Budget Stabilization Fund is also projected as unchanged at $276 million. The FY10 budget basis fund balance deficit is estimated to be reduced to $3,395 million.

Budget estimates, projections and forecasts are based solely on information available as of the date of this offering and are subject to subsequent revision without notice.

FISCAL YEAR 2010 CAPITAL BUDGET

Illinois Jobs Now, the State's first capital bill in over 10 years, is a $31 billion multi-year program that emphasizes job creation and retention, economic stimulus and accessing federal ARRA dollars while making crucial investments in the State's schools, roads, bridges, airports and transit system. The major FY10 components of Illinois Jobs Now are: $14,299 million of road and bridge projects; $3,621 million for school construction; and $5,600 million for state-wide mass transit. The Illinois Jobs Now program provides access to over $3.7 billion in American Recovery &Reinvestment Act (ARRA) funds, including funding for roads and bridges, airports, transit, rail and waste water and drinking water infrastructure.

Funding for Illinois Jobs Now is comprised of monies from Federal, State and Local sources, with the State's share of approximately $13 billion to be funded through the issuance of General Obligation and Build Illinois Bonds over the length of the program. The debt service on the State's portion will be supported by the following: (1) an increase in the motor vehicle title fees generating $122 million annually; (2) and increase in license plate fees generating $180 million annually; (3) establishing a new sales tax on candy, sweet tea, coffee, grooming and hygiene products; (4) an increase in wine and sprits taxes generating $162 million annually; (5) establishing a new licensing and taxation program for video gaming terminals generating $300 million annually; and (6) using existing monies deposited into the Road Fund to provide $150 million per year for the payment of debt service. All annual amounts reflect revenues generated once fully implemented.

The remainder of the FY10 capital contains prior year reappropriations consisting of both bond funded and current revenue sources totaling $12,592 million. The total bond-financed reappropriations included in the FY10 Capital Budget are $3,691 million, which includes General Obligation bonded in the amount of $3,037 million and Build Illinois bonded in the amount of $654 million. Total capital reappropriations funded out of current revenues is $8,187 million, and total prior federally funded is $715 million.

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 FY04 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, 2009. The FY10 Operating Budget assumes the Budget Stabilization Fund will be maintained at that same level.

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 FY98, disbursements were recognized when payment warrants were issued. Since FY98, 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. Since 1981 the Comptroller has issued a Comprehensive Annual Financial Report ("*CAFR*"), which includes General Purpose Financial Statements prepared according to Generally Accepted Accounting Principles ("*GAAP*") and statements of budgetary fund balances and changes in budgetary fund balances for all fund groups.

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TABLE 5
BUDGET PLAN - GENERAL FUNDS
2006 TO 2009
($ IN MILLIONS)

TABLE 5: GENERAL FUNDS - BUDGET RESULTS & BUDGET PLANS FY2008-FY2010

version = 9/9/2009

	Fiscal Year 2008 Actual		FY2009 Estimated Results (9/9/09)		Fiscal Year 2010 Introduced Budget (3/18/09)		Fiscal Year 2010 Adopted Budget (7/15/09)	
OPERATING REVENUES PLUS TRANSFERS IN								
REVENUES								
State Sources	$ 22,944		$ 20,984		$ 23,662		$ 19,947	
Federal Sources	$ 4,815		$ 6,567		$ 7,437		$ 7,131	
TOTAL REVENUES		**$ 27,759**		**$ 27,551**		**$ 31,099**		**$ 27,078**
STATUTORY TRANSFERS IN								
Statutory Transfers In	$ 1,900		$ 1,593		$ 1,977		$ 2,221	
TOTAL TRANSFERS		**$ 1,900**		**$ 1,593**		**$ 1,977**		**$ 2,221**
TOTAL OPERATING REVENUES PLUS TRANSFERS IN		**$ 29,659**		**$ 29,144**		**$ 33,076**		**$ 29,299**
OPERATING EXPENDITURES AND TRANSFERS OUT								
CURRENT YEAR EXPENDITURES								
APPROPRIATIONS (Total Budget) [1]	$ 27,538		$ 30,283		$ 28,391		$ 26,085 [1]	
Less: **Unspent Appropriations** (Unspent Budget plus Uncashed Checks)	($385)		($322)		($500)		($951)	
Equals: **CURRENT YEAR EXPENDITURES** (Net Appropriations Spent)		**$ 27,153**		**$ 29,961**		**$ 27,891**		**$ 25,133**
STATUTORY TRANSFERS OUT								
Legislatively Required Transfers (Diversions to Other Funds)	$ 2,735		$ 2,532		$ 2,306		$ 2,321	
Pension Obligation Bond Debt Service (includes FY10 Pension Funding Bonds)	$ 467		$ 467		$ 465		$ 520	
TOTAL TRANSFERS OUT		**$ 3,202**		**$ 2,999**		**$ 2,771**		**$ 2,842**
TOTAL OPERATING EXPENDITURES AND TRANSFERS OUT		**$ 30,355**		**$ 32,960**		**$ 30,662**		**$ 27,975**
BUDGET BASIS FINANCIAL RESULTS AND BALANCE								
BUDGET BASIS OPERATING SURPLUS (DEFICIT) [Receipts less Payments]		($696)		($3,815)		**$2,414**		**$1,324**
OTHER FINANCIAL SOURCES (USES)								
Short-Term Borrowing Proceeds	$2,400		$2,400		$0		$1,250	
Repay Short-Term Borrowing (including interest)	($2,403)		($1,424)		($2,318)		($2,295)	
TOTAL OTHER FINANCIAL SOURCES (USES)		($3)		**$976**		($2,318)		($1,045)
BUDGET BASIS SURPLUS (DEFICIT) FOR FISCAL YEAR		($699)		($2,839)		**$97**		**$279**
Plus: Budget Basis Fund Balance at Beginning of the Fiscal Year		($135)		($834)		($1,333)		($3,673)
BUDGET BASIS FUND BALANCE (DEFICIT) AT END OF FISCAL YEAR		($834)		($3,673)		($1,237)		($3,395)
CASH BASIS FINANCIAL RESULTS								
BUDGET BASIS SURPLUS (DEFICIT) FOR FISCAL YEAR		($699)		($2,839)		**$97**		**$279**
Change in Accounts Payable (Change in Lapse Period Amounts)								
Accounts Payable at End of Prior Fiscal Year	$777		$975		$1,673		$3,953	
Less: Accounts Payable at End of Current Fiscal Year	($975)		($3,953)		($1,577)		($3,674)	
Equals: **Increase/(Paydown) of Accounts Payable During Fiscal Year**		**$199**		**$2,978**		($97)		($279)
CASH BASIS SURPLUS (DEFICIT) FOR FISCAL YEAR [2]		($501)		**$139**		**$0**		**$0**
CASH POSITION								
CASH BASIS SURPLUS (DEFICIT) FOR FISCAL YEAR		($501)		**$139**		**$0**		**$0**
Plus: **Cash Balance in General Funds at Beginning of Fiscal Year**		**$ 642**		**$ 141**		**$ 141**		**$ 280**
Equals: **Cash Balance in General Funds at End of Fiscal Year**		**$ 141**		**$ 280**		**$ 141**		**$ 280**
Plus: **Cash Balance in Budget Stabilization Fund at End of Fiscal Year**		**$ 276**		**$ 276**		**$ 276**		**$ 276**
Equals: **Total Cash at End of Fiscal Year**		**$ 417**		**$ 556**		**$ 417**		**$ 556**

FY2010 appropriations do not reflect the FY2010 statutory pension contribution for the General Funds. That amount will be financed and paid through issuance of approximately $3,466 million in General Obligation Pension Funding Bonds during the fiscal year.

Cash Basis Surplus (Deficit) equals Budget Basis Surplus (Deficit) minus (plus) Other Cash Uses (Sources) relating to changes in Accounts Payable during the fiscal year.

TABLE 6
STATE OF ILLINOIS
GENERAL FUNDS RECONCILIATION
FISCAL YEAR 2008
($ IN MILLIONS)

	Cash Basis	Adjustments for Budgetary Basis	Budgetary Basis	Adjustments for GAAP	GAAP Basis
Revenues:					
Income Taxes (net)	12,180	-	12,180	80	12,260
Sales Taxes (net)	7,208	7	7,215	208	7,423
Public Utility Taxes (net)	1,157	-	1,157	40	1,198
Federal Government (net)	4,700	-	4,700	2,725	7,425
Other (net)	2,384	(7)	2,377	2,561	4,938
Total Revenues	**27,629**	**0**	**27,629**	**5,615**	**33,244**
Expenditures:					
Current:					
Health and Social Services	13,751	1	13,753	3,205	16,958
Education	10,164	190	10,355	484	10,839
General Government	698	(20)	678	134	813
Employment and Economic Development	153	25	177	(9)	168
Transportation	133	(11)	122	(3)	120
Public Protection and Justice	1,898	13	1,910	290	2,200
Environment and Business Regulation	115	0	115	24	138
Debt Service:					
Principal	-	-	-	2	2
Interest	-	-	-	1	1
Capital Outlays	29	0	29	(21)	8
Total Expenditures	**26,941**	**198**	**27,140**	**4,107**	**31,247**
Excess of Revenues Over Expenditures	**688**	**(198)**	**489**	**(1,507)**	**1,997**
Other Sources (Uses) of Financial Resources:					
Operating Transfers In	6,957	-	6,957	(2,973)	3,983
Operating Transfers Out	(10,546)	-	(10,546)	4,805	(5,741)
Proceeds from short-term borrowings	2,400		2,400	(2,400)	-
Proceeds from Capital Lease Financing		-	-	1	1
Net Other (Uses) of Financial Resources	**(1,189)**	**-**	**(1,189)**	**(567)**	**(1,756)**
Excess of Revenues Over Expenditures and Net Other (Uses) of Financial Resources	**(501)**	**(198)**	**(700)**	**940**	**(241)**
Fund Balances (Deficit) July 1, 2007	642	(777)	(135)	(3,693)	(3,828)
Restatement	-	-	-	(344)	(344)
Fund balances (Deficit) July 1, 2007, as restated	642	(777)	(135)	(4,036)	(4,171)
Increase (decrease) for changes in inventories	-	-	-	(4)	(4)
Fund Balances (Deficit) June 30, 2008	**141**	**(975)**	**(834)**	**(3,100)**	**(3,934)**

Source: Based on information from the Comptroller and derived from the State's Comprehensive Annual Financial Report, which may be found at: *www.apps.ioc.state.il.us/ioc-pdf/CAFR_2008.pdf*).
Note: Columns may not add due to rounding.

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GAAP FINANCIAL REPORT

The complete General Purpose Financial Statements for FY08, 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 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 FY08 the Auditor General has expressed an unqualified opinion on the General Purpose Financial Statements.

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 (amounts in $ thousands)

The budgetary basis fund balance deficit of $834,491 equals the June 30, 2008 cash balance of $140,541 less cash lapse period expenditures of $975,032. Adjustments from the cash basis of accounting for fiscal year 2008 to the budgetary basis include adding fiscal year 2008 lapse period spending (July 1 – August 31, 2008) and subtracting fiscal year 2007 lapse period spending (July 1 – August 31, 2007). 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 2007 "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.

Note 4 – Restatement (amounts in $ thousands)

The June 30, 2007 fund balance for the General Fund has been restated $343,582 from a deficit of $3,827,544 to a deficit of $4,171,126. The restatement was due to the accumulation of reporting errors from prior years which resulted in an understatement of unearned income taxes.

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 net income with a $2,000 exemption allowed for the taxpayer, the taxpayer's spouse, and each dependent claimed on their federal return. There are also additional $1,000 exemptions for the elderly and for the blind.

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. The annual percentage of corporate or personal income tax collections deposited into the Refund Fund (the "*Refund Fund Rate*") is set by statute for some years and for other years 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. For FY10 the state has maintained the same Refund Fund Rates (described below) as utilized in FY09, resulting in an estimated increase in the Refund Fund backlog for corporate income tax refunds of approximately $370 million by the end of FY10, versus the amount reflected in the proposed FY10 operating budget introduced on March 18, 2009.

The Refund Fund rate for personal income taxes was statutorily set at 7.1 percent for FY99 - 01 to accommodate increases to the personal exemption. In FY02, the Refund Fund rate for personal income taxes was determined by the statutory formula, with a cap of 7.6 percent. In FY03, the Refund Fund rate for personal income taxes was set at 8.0 percent. The Refund Fund rate for FY04 for personal income taxes was set at 11.7 percent. The statutory rates were set at 10% for FY05, and 9.75% through FY07. The FY08 and FY09 budget adopted a 7.75% and 9.75% rate respectively. The FY10 budget adopted a 9.75% rate.

7.3% of all personal income tax collections not deposited into the Refund Fund are deposited into the Education Assistance Fund. All personal income tax collections, not deposited into the Education Assistance Fund or the Refund Fund, are deposited into the General Revenue Fund. In addition, 10% of all personal income tax collections not deposited into the General Revenue Fund are transferred to the Local Government Distributive Fund.

Corporate Income Tax: The corporate income tax liability is 4.8 percent of each corporation's net income. The State Constitution requires that the basic corporate income tax rate not exceed the personal income tax rate by more than a ratio of 8:5. Multi-state corporations have corporate income apportioned to Illinois using a fraction equal to their sales attributable to Illinois divided by their total sales.

The Refund Fund rate for corporate income taxes was statutorily set at 19.0 percent for FY99 - 01 to accommodate the changes to the apportionment formula. In FY02, the Refund Fund rate for corporate income taxes was determined by the statutory formula, with a cap of 23.0 percent. In FY03, the Refund Fund rate for corporate income taxes was set at 27.0 percent. The Refund Fund rate for FY04 for corporate income taxes was set at 32 percent. The statutory rates were set at 24%, 20% and 17.5% for FY05, 06 and 07, respectively. The FY08 and FY09 budget adopted a 15.5% and 17.5% rate respectively. The FY10 budget adopted a 17.5% rate.

7.3% of all corporate income tax collections not deposited into the Refund Fund are deposited into the Education Assistance Fund. All corporate income tax collections, not deposited into the Education Assistance Fund or the Refund Fund, are deposited into the General Revenue Fund. In addition, 10% of all corporate income tax collections not deposited into the General Revenue Fund are transferred to the Local Government Distributive Fund.

Corporations are also subject to a Personal Property Tax Replacement 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 sales and use tax on retail sales of tangible personal property, subject to certain exemptions. Food for human consumption that is to be consumed off the premises where sold (other than alcoholic beverages, soft drinks and food that has been prepared for immediate consumption), as well as prescription and nonprescription medicines, drugs, medical appliances, modifications to a motor vehicle for the purpose of rendering it usable by a disabled person, and insulin, urine testing materials, syringes, and needles used by diabetics, for human use are taxed at the reduced State rate of 1%. Revenues on these latter items are distributed to local jurisdictions.

On and after September 1, 2009, however, "candy" is taxed at the rate of 6.25%, rather than as a food at 1%. In addition, "grooming and hygiene products," some of which were previously taxed as medicines at 1%, are now taxed at the rate of 6.25%. Also, effective September 1, 2009, the definition of "soft drink" changed. As a result, beverages that were previously not considered to be soft drinks are now included in the definition of "soft drinks" and are taxed at the 6.25% rate (for example, sweetened tea). Beginning October 1, 2009, each month the Department of Revenue must pay into the Capital Project Fund an amount that is equal to an amount estimated by the Department of Revenue to represent 80% of the net revenue realized for the preceding month from the sale of candy, grooming and hygiene products, and soft drinks that had been taxed at the 1% rate prior to September 1, but which are taxed at 6.25% on and after September 1, 2009.

The sales and use tax rate on general merchandise is 6.25 percent, comprised of the State's portion of 5.0 percent and the local government's portion of 1.25 percent. As noted above, a reduced rate applies to qualifying food and drugs (revenues are distributed to local jurisdictions). The 6.25 percent tax is applied to a standard base, meaning counties and municipalities must tax the same items as the State. The State also imposes a tax on tangible personal property transferred incident to sales of service. This tax (as well as a corresponding Service Use Tax) is imposed at the rate of 6.25% and generally contains exemptions identical to those in the retail tax. Revenues from the State's 5% percent are distributed 25% percent into the Common School Fund and 75% into the General Revenue Fund after a series of transfers into other State funds (including the Build Illinois Fund and the Illinois Tax Increment Fund).

Public Utility Taxes: Public utility tax receipts are comprised of taxes on electricity, natural gas, and telecommunications. In FY06, public utility taxes provided 3.9 percent of General Fund revenues. The Gas Revenue Tax is imposed on gas utilities at the lesser of 5.0 percent of gross receipts or 2.4 cents per therm. Revenues from the Gas Revenue Tax are deposited into the General Revenue Fund. The Gas Use Tax is imposed upon users for gas purchased out of state, and is imposed at the same rate as the Gas Revenue Tax (5% of the purchase price or 2.4 cents per therm). Revenues from the Gas Use Tax are deposited into the General Revenue Fund. 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. Any purchasers for non-residential electric use 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. Three percent of the revenues from the Electricity Excise Tax is deposited into the Public Utility Fund (less $416,667 per month, which shall be paid into the General Revenue Fund); the remainder is deposited into the General Revenue Fund.

The Telecommunications Excise Tax Act was amended in 1998 to raise the tax on the privilege of originating or receiving telecommunications from 5.0 to 7.0 percent of gross receipts charged to a taxpayer's service address in Illinois. One half of the additional revenue is deposited into the Common School Fund, and one-half is deposited into the School Infrastructure Fund. The remainder is deposited into the General Revenue 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 49 mils per cigarette (98 cents per package of 20 cigarettes) and was last increased by 20 mils (40 cents per package of 20 cigarettes) effective July 1, 2002. From the total tax collected $29.2 million a month is deposited into the General Funds and $5 million a month is deposited into the School Infrastructure Fund for debt service payments on an expansion of the school construction grant program. Remaining cigarette tax revenues are deposited into the Long Term Care Provider Fund.

ROAD FUND

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

Motor Fuel Tax: The State imposes the following taxes on the privilege of operating motor vehicles on the public highways and recreational-type watercraft upon the waterways of the State:

- Motor fuel tax of 19 cents per gallon;
- Additional motor fuel tax on diesel fuel of 2.5 cents per gallon (21.5 cents per gallon on diesel fuel);
- Leaking Underground Storage Tank (LUST) tax of 0.3 cents per gallon and Environmental Impact Fee (EIF) ($60 per 7500 gallons of fuel, equivalent to 8/10 of a cent per gallon) for a total of 1.1 cent per gallon on fuel received in Illinois; and
- Motor Fuel Use Tax is imposed upon the use of motor fuel upon highways in the State by commercial motor vehicles. The tax is comprised of 2 parts. Part (a) is comprised of the motor fuel tax (19 cents per gallon or 21.5 cents per gallon for diesel fuel); Part (b) is the rate established by the Department of Revenue as of January 1 of each year using the average selling price per gallon of motor fuel sold in Illinois during the previous 12 months, multiplied by 6.25% to determine the cents per gallon rate.

Motor fuel tax receipts (except for LUST taxes and Environmental Impact Fees) 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 transferred into the State Construction Account Fund which is used for highway construction. The revenues from the 1.1 cents per gallon LUST/EIF tax are transferred into the Underground Storage Tank Fund until January 1, 2013 (HB 0075 passed both houses and is pending action by the Governor at the time of writing; it extends the LUST/EIF tax until January 1, 2025).

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 has been deposited into the Road Fund and the remaining $4 have been deposited into the Motor Vehicle License Plate Fund.

TAX BURDEN

According to two commonly cited measures of tax burden, tax receipts per capita and tax receipts per $1,000 of personal income, Illinois has an average state tax burden. In 2008, the State's tax collections per capita of $2,472 ranked 25th among the states, below the national average of $2,593. When taking into consideration the wealth of states in the United States, the State's 2008 state tax collections per $1,000 of personal income of $58 was below the national average of $65.

Data on state revenues comparison comes from the Census Bureau, State Government Finances: 2008. Total general revenue collections include state taxes, intergovernmental revenue, current charges and other miscellaneous general revenue. State tax collections include sales and gross receipts, corporate income, personal income and other taxes.

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. Corporate income tax, personal property replacement tax, liquor tax and Insurance Privilege Tax comprise approximately 70% of the receipts into this 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 August 27, 2009, the total Protest Fund balance was $428.1 million.

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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
August 2009	$ 1,250	June 2010
May 2009	1,000	May 2010
December 2008	1,400	June 2009
April 2008[1]	1,200	June 2008
September 2007[1]	1,200	November 2007
February 2007[1]	900	June 2007
November 2005	1,000	June 2006
March 2005[1]	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

[1] Hospital Assessment Conduit Financings

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 $22,770,777,443, excluding general obligation refunding bonds, for capital purposes and $10 billion of GO Bonds for Pension funding purposes. The State issued $10 billion of GO Pension Obligation 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 OBLIGATION BONDS AND ALLOCATIONS OF PROCEEDS."

In April 2009, pursuant to Public Act 96-5, GO bond authorization was increased by $2 billion and $1 billion dollars for projects comprised under Sections 4a and Section 4b, respectively. In addition, GO capital purpose Bond authorization was further increased in various categories pursuant to Public Act 93-36. Both previously referenced increases were made in connection with the passage of the Illinois Jobs Now capital program.

The Bond Act was further amended, pursuant to Public Act 96-18, to increase General Obligation refunding bonds outstanding by 2 billion and also authorized the issuance of $3,466 million of Pension Funding Bonds, pursuant to Public Act 96-43, to be used for funding or reimbursing a portion of the State's retirement systems. See "PENSION SYSTEMS - ISSUANCE OF GO PENSION OBLIGATION BONDS AND ALLOCATIONS OF PROCEEDS."

The following table shows the statutory general obligation bond authorization and all GO Bonds outstanding as of closing of July 31, 2009.

TABLE 8
GENERAL OBLIGATION BONDS
(AS OF JULY 31, 2009)

Authorization Category	Amount Authorized	Amount Issued	Authorized Unissued	Amount Outstanding
Anti-Pollution[1]	$ 599,000,000	$ 599,000,000	$ -	$ 800,000
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	22,770,777,443	15,141,386,352	7,629,391,091	7,180,371,294
Subtotal – New Money Bonds[2]	$27,200,777,443	$19,571,386,352	$7,629,391,091	$7,181,171,294
Refunding Bonds[2]	4,839,025,000	4,569,524,239	2,988,398,543	1,850,626,458
Subtotal – New Money and Refunding[2]	$32,039,802,443	$24,140,910,591	$10,617,789,634	$9,031,797,751
Pension Funding	13,4660,000,000	10,000,000,000	3,466,000,000	9,900,000,000
Total – Capital and Pension[2]	$45,505,802,443	$34,140,910,591	$14,083,789,634	$18,931,797,751

1 These bonds were issued under predecessor statutes to the Bond Act

2 The State is authorized to issue $4,839,025,000 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. Refunding bonds in the aggregate amount of $2,718,897,781 were issued, have matured or have been refunded, and are no longer outstanding

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 August 31, 2009 a total of $524.8 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 $524.8 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, either 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 2006-2010.

TABLE 9
GENERAL OBLIGATION BOND SALES
($ IN MILLIONS)

Fiscal Year	Capital Improvement	Refunding	Pension Funding
2006	925.0	275.0	-
2007	258.0	329.0	-
2008	125.0	-	-
2009	150.0	-	-
2010	400.0[1]	2,000.0[2]	-

[1] Expected to be issued pursuant to this Preliminary Official Statement.
[2] Expected to be issued pursuant to Series B of September 2009.

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INDEBTEDNESS IN PRIOR YEARS

The following table shows the outstanding general obligation indebtedness of the State at the end of each fiscal year from 2005-2009.

TABLE 10
GENERAL OBLIGATION BONDS OUTSTANDING
($ IN MILLIONS)

End of Fiscal Year	Capital Improvement	Pension Funding[1]
2005	$9,893.0	$10,000.0
2006	10,251.4	10,000.0
2007	9,925.7	10,000.0
2008	9,463.0	9,950.0
2009	9,051.8	9,900.0

1 Principal and Interest on the Pension Bonds is funded with corresponding reductions to the Unfunded Actuarial Accrued Liability payments appropriated from the general funds as an unfunded liability replacement financing pursuant to Public Acts 88-593, 94-004 and 93-009

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 Highways purposes, from the School Infrastructure Fund and the General Revenue Fund to pay debt service on bonds issued under Section 5(e) of the Bond Act and from the General Revenue Fund to pay debt service on bonds issued for all other purposes.

Not including debt service on short term debt certificates as may be from time to time outstanding; the following table shows debt service payments on GO Bonds from fiscal year 2005 through 2009 and the funds from which the transfers originate.

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

	FY 05	FY 06	FY 07	FY 08	FY 09
Road Fund	$237.5	$258.5	$253.7	$252.9	$252.9
School Infrastructure Fund	200.7	230.1	232.9	235.9	223.1
General Funds	660.6	664.7	693.0	695.6	684.3
All Funds-Pension[1]	496.2	496.2	496.2	546.2	545.0

1 Principal and Interest on Pension Bonds is funded 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, 94-004 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 2005-2009

Fiscal Year	Total Expenditures[1] ($ In Millions)	Capital Improvement Bonds[2] % of Expenditures	Pension Bonds % of Expenditures
2005	26,736	4.11%	1.86%
2006	27,982	4.12%	1.77%
2007	30,952	3.81%	1.60%
2008	28,267	4.20%	1.93%
2009	33,356	3.48%	1.63%

[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 2005-2009

Fiscal Year	Illinois Personal Income[1] ($ In Billions)	Capital Improvement and Refunding Bonds % of Personal Income	Pension Bonds % of Personal Income
2005	463.1	2.14%	2.16%
2006	490.5	2.09%	2.04%
2007	525.9	1.89%	1.90%
2008	547.0	1.73%	1.82%
2009	547.0	1.65%	1.81%

[1] U.S. Department of Commerce, Bureau of Economic Analysis, July 2009.

Note: 2009 personal income data not yet available and is estimated to be flat from 2008

TABLE 14
GENERAL OBLIGATION DEBT PER CAPITA
FISCAL YEARS 2005- 2009

	2005	2006	2007	2008	2009
Population (in Thousands)[1]	12,720	12,777	12,853	12,902	12,902
Capital Improvement and Refunding Bonds	$778	$802	$772	$733	$702
Pension Bonds Debt per Capita[3]	$786	$783	$778	$771	$767

[1] U.S. Department of Commerce, Bureau of the Census. 2009 population is assumed to be flat from 2008.
[2] Approximately 73% of the Pension Bond Debt per capita is offset by corresponding unfunded pension liability per capita, which existed prior to the issuance of the pension bonds.

TABLE 15
RATIO OF GENERAL OBLIGATION DEBT TO EQUALIZED ASSESSED VALUATION[1]
FISCAL YEARS 2004-2008

Equalized Assessed Value ("EAV")		Capital Improvement and Refunding Bonds		Pension Bonds	
Year	($ Millions)	($ Millions)	% of EAV	($ Millions)	% of EAV
2004	277,898	9,556.3	3.43	10,000.0	3.59
2005	303,038	9,893.0	3.26	10,000.0	3.29
2006	331,335	10,251.4	3.09	10,000.0	3.02
2007	362,576	9,925.7	2.74	10,000.0	2.76
2008	382,375	9,462.9	2.47	9,950.0	2.60

Estimate provided by the Illinois Department of Revenue

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Table 16
MATURITY SCHEDULE - GENERAL OBLIGATION BONDS
Bond Issuances through August 31, 2009

	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
2010	800,000	423,952,909	162,711,843	587,464,753	546,403,872	1,133,868,625	50,000,000	493,550,000	543,550,000	1,677,418,625
2011	-	359,117,946	207,702,085	566,820,031	529,773,947	1,096,593,978	50,000,000	491,900,000	541,900,000	1,638,493,978
2012	-	337,470,910	188,762,529	526,233,439	478,951,970	1,005,185,409	100,000,000	490,125,000	590,125,000	1,595,310,409
2013	-	255,030,751	276,580,000	531,610,751	437,393,328	969,004,079	100,000,000	486,375,000	586,375,000	1,555,379,079
2014	-	256,489,607	276,470,000	532,959,607	390,856,731	923,816,338	100,000,000	482,525,000	582,525,000	1,506,341,338
2015	-	384,535,720	168,625,000	553,160,720	339,777,919	892,938,638	100,000,000	478,575,000	578,575,000	1,471,513,638
2016	-	412,186,341	128,665,000	540,851,341	314,323,946	855,175,286	100,000,000	474,525,000	574,525,000	1,429,700,286
2017	-	408,476,341	104,570,000	513,046,341	282,004,953	795,051,294	125,000,000	470,175,000	595,175,000	1,390,226,294
2018	-	395,107,806	94,625,000	489,732,806	245,432,128	735,164,934	150,000,000	464,737,500	614,737,500	1,349,902,434
2019	-	373,512,317	82,560,000	456,072,317	218,293,495	674,365,813	175,000,000	458,212,500	633,212,500	1,307,578,313
2020	-	358,661,629	71,610,000	430,271,629	198,536,696	628,808,325	225,000,000	449,550,000	674,550,000	1,303,358,325
2021	-	334,055,883	80,075,000	414,130,883	170,526,934	584,657,817	275,000,000	438,412,500	713,412,500	1,298,070,317
2022	-	382,057,410	7,670,000	389,727,410	139,931,290	529,658,700	325,000,000	424,800,000	749,800,000	1,279,458,700
2023	-	381,492,922	-	381,492,922	125,471,740	506,964,663	375,000,000	408,712,500	783,712,500	1,290,677,163
2024	-	345,653,968	-	345,653,968	100,679,303	446,333,271	450,000,000	390,150,000	840,150,000	1,286,483,271
2025	-	304,388,835	-	304,388,835	86,504,707	390,893,542	525,000,000	367,200,000	892,200,000	1,283,093,542
2026	-	289,030,000	-	289,030,000	68,717,542	357,747,542	575,000,000	340,425,000	915,425,000	1,273,172,542
2027	-	277,945,000	-	277,945,000	54,295,833	332,240,833	625,000,000	311,100,000	936,100,000	1,268,340,833
2028	-	243,605,000	-	243,605,000	40,601,250	284,206,250	700,000,000	279,225,000	979,225,000	1,263,431,250
2029	-	212,370,000	-	212,370,000	28,616,917	240,986,917	775,000,000	243,525,000	1,018,525,000	1,259,511,917
2030	-	157,260,000	-	157,260,000	20,267,917	177,527,917	875,000,000	204,000,000	1,079,000,000	1,256,527,917
2031	-	113,215,000	-	113,215,000	13,538,083	126,753,083	975,000,000	159,375,000	1,134,375,000	1,261,128,083
2032	-	54,335,000	-	54,335,000	9,055,000	63,390,000	1,050,000,000	109,650,000	1,159,650,000	1,223,040,000
2033	-	53,625,000	-	53,625,000	6,286,833	59,911,833	1,100,000,000	56,100,000	1,156,100,000	1,216,011,833
2034	-	86,795,000	-	86,795,000	2,638,333	89,433,333	-	-	-	89,433,333
2035	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-
Total	800,000	7,200,371,294	1,850,626,458	9,051,797,751	4,848,880,667	13,900,678,419	9,900,000,000	8,972,925,000	18,872,925,000	32,773,603,419

General Obligation Debt Service payments for Fiscal Year 2010, as of August 31, 2009:

03 Months	-	116,491,314	44,868,438	161,359,753	178,180,332	339,540,085	-	-	-	339,540,085
09 Months	800,000	307,461,595	117,843,405	426,105,000	368,223,540	794,328,540	50,000,000	493,550,000	543,550,000	1,337,878,540
FY 2010	800,000	423,952,909	162,711,843	587,464,753	546,403,872	1,133,868,625	50,000,000	493,550,000	543,550,000	1,677,418,625

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
(ESTIMATED AS OF JUNE 30, 2009)

($ IN MILLIONS)

Revenue Bond Program	Bonds Outstanding
Build Illinois (Sales Tax Revenue Bonds)	$1,963.7
Metropolitan Exposition and Auditorium Authorities - Civic Center Program	100.0
MPEA[1] - Dedicated State Tax Revenue Bonds	139.0
MPEA[1,2] - McCormick Place Expansion Project and Refunding Bonds	2,081.0
Illinois Sports Facilities Authority	450.2
Illinois Certificates of Participation	22.3
Total	**$4,756.0**

1 Metropolitan Pier and Exposition Authority ("*MPEA*")
2 Bonds outstanding include capital appreciation bonds expressed in the amount of original principal issuance

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 $4,615.5 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 GO Bond Act.

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

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

METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITIES—CIVIC CENTER PROGRAM

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

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

METROPOLITAN PIER AND EXPOSITION AUTHORITY—DEDICATED STATE TAX REVENUE BONDS

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

METROPOLITAN PIER AND EXPOSITION AUTHORITY—EXPANSION PROJECT BONDS

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

ILLINOIS SPORTS FACILITIES AUTHORITY

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

The State has additional contingent liabilities in the form of Moral Obligation Bonds which provide for presentation of an appropriation request to the General Assembly for debt service deficiencies – see "Moral Obligation Bonds", and a statutory Continuing Appropriation of General Funds for lump-sum payments in excess of available loan loss reserves for certain guaranteed loan programs – see "Agricultural Loan Guarantee Programs".

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Table 18
MATURITY SCHEDULE -- REVENUE BONDS
(As of August 31, 2009)

Year Ending June 30	Build Illinois	MPEA D.S.T.R.B.	MPEA Expansion Project	Civic Center Program	Sports Facilities Authority	Illinois Certificates of Participation	Total Principal	Total Interest	Total Debt Service
2010	141,375,756	24,015,000	50,936,819	8,595,000	14,465,316	1,945,000	241,332,891	237,197,939	478,530,830
2011	142,754,169	25,595,000	63,289,090	9,085,000	2,786,432	2,055,000	245,564,692	233,814,691	479,379,383
2012	142,063,399	26,735,000	38,426,743	9,555,000	3,787,861	2,170,000	222,738,003	257,281,661	480,019,664
2013	145,412,124	28,145,000	36,491,366	10,095,000	4,742,354	2,305,000	227,190,844	256,318,939	483,509,784
2014	152,939,306	29,600,000	35,991,812	10,705,000	5,649,695	2,440,000	237,325,813	248,669,854	485,995,667
2015	150,946,038	4,850,000	36,234,751	11,415,000	6,517,832	2,590,000	212,553,621	248,119,275	460,672,896
2016	152,000,000	-	45,846,956	12,020,000	7,363,337	2,750,000	219,980,293	232,267,792	452,248,085
2017	136,980,000	-	50,075,228	5,488,409	8,151,095	2,915,000	203,609,733	238,290,032	441,899,764
2018	122,220,000	-	50,037,243	5,668,835	6,355,418	3,140,000	187,421,496	245,834,898	433,256,394
2019	109,230,000	-	57,165,083	5,875,462	6,569,442	-	178,839,987	245,090,398	423,930,385
2020	93,185,000	-	65,259,453	6,103,026	6,977,726	-	171,525,206	245,094,114	416,619,320
2021	78,495,000	-	104,202,400	5,405,000	7,374,846	-	195,477,246	208,330,279	403,807,525
2022	72,785,000	-	81,118,012	-	7,767,537	-	161,670,549	243,719,520	405,390,069
2023	60,460,000	-	140,272,495	-	8,156,172	-	208,888,667	198,561,950	407,450,616
2024	53,200,000	-	80,281,436	-	8,543,953	-	142,025,388	258,272,890	400,298,279
2025	52,005,000	-	85,297,449	-	8,891,669	-	146,194,118	253,596,949	399,791,067
2026	50,080,000	-	149,351,189	-	14,950,731	-	214,381,920	184,461,404	398,843,324
2027	41,265,000	-	180,115,836	-	31,842,372	-	253,223,208	138,219,117	391,442,325
2028	35,160,000	-	162,087,687	-	36,240,797	-	233,488,485	153,812,927	387,301,411
2029	14,125,000	-	169,405,321	-	41,040,210	-	224,570,531	144,334,519	368,905,050
2030	11,000,000	-	10,277,690	-	52,405,825	-	73,683,515	291,267,035	364,950,550
2031	6,000,000	-	9,145,954	-	75,355,000	-	90,500,954	274,131,221	364,632,175
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	1,963,680,792	138,940,000	2,080,876,736	100,010,732	450,230,621	22,310,000	4,756,048,882	7,686,280,917	12,442,329,799

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

MORAL OBLIGATION BONDS

Currently, eight entities in the State may issue moral obligation bonds. The moral obligation pledge generally provides that in the event the authority issuing moral obligation bonds determines that revenue available to 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]
ESTIMATED AS OF JUNE 30, 2009,
($ IN MILLIONS)

Issuing Authority	**Moral Obligation Bonds Outstanding**
Illinois Housing Development Authority	$ 0.3
Southwestern Illinois Development Authority	37.0
Quad Cities Regional Economic Development Authority	0.0
Upper Illinois River Valley Development Authority	21.5
Tri-County River Valley Development Authority	0.0
Will-Kankakee Regional Development Authority	0.0
Western Illinois Economic Development Authority	0.0
Illinois Finance Authority[2]	103.9
Total	**$162.8**

[1] The amounts listed include only those bonds containing a moral obligation pledge.

[2] The Illinois Rural Bond Bank, Illinois Research Park Authority and the Illinois Development Finance Authority were consolidated into the Illinois Finance Authority (the "*IFA*"), which was created on January 1, 2004. Amount reflects outstanding Moral Obligation Bonds issued by the IFA and predecessor authorities.

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.

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.

AGRICULTURAL LOAN GUARANTEE PROGRAM

The Illinois Finance Authority (the "*IFA*", as successor to the Illinois Farm Development Authority), is authorized at 20 ILCS 3501 Article 830 et. seq., (the "*Loan Program*"), to issue up to $235 million in guarantees for loans by financial institutions ("*Secured Lenders*") to agriculture and agribusiness borrowers. Under the Program, Secured Lenders may receive a lump-sum payment up to a maximum of 85% of a remaining loan balance in the event of a default. The IFA currently maintains two reserve funds, (i) The Illinois Agricultural Loan Fund, and (ii) The Illinois Farmer & Agribusiness Loan Guarantee Fund (collectively, the "*Reserve Funds*"), from which default lump-sum payments may be made. As of October 31, 2008, the available balances in the Reserve Funds held by the IFA were $10.7 million and $7.7 million, respectively.

These Reserve Funds are further backed by a "continuing appropriation" of the State's General Funds as a full faith and credit general obligation of the State. As of October 31, 2008, the IFA Loan Programs secure: (i) $25.5 million in Illinois Agricultural Loans and (ii) $58.7 million in Illinois Farmer & Agribusiness Loans. In total, 85 percent of these two Loan Programs or $70.3 million is guaranteed by the State. To date, there has not been a required transfer from the State's General Funds for default lump-sum payments under the Loan Program.

Loans made pursuant to the Loan Program may be secured for up to five years, are subject to annual renewal by the IFA, and may be discontinued prior to maturity if a Secured Lender fails to properly monitor the Borrower or the loan collateral. Secured Lenders under the Loan Program covenant to timely pursue collateral recovery upon receiving a lump-sum "default" payment, and must bear the first 15% of losses realized after collateral recovery.

In November 2006, the IFA extended a $15 million State guarantee to a $24.5 million loan by Fifth Third Bank (the Secured Lender) to Bio-fuels Company of America (the Borrower), to construct, own and operate a 45 million gallon per year bio-diesel fuel plant located in Danville, Illinois. The Borrower has entered a guaranteed supply agreement and 20% equity partnership with Bunge North America, to provide soy bean oil, a principal commodity required for production of bio-diesel fuel.

ILLINOIS STUDENT ASSISTANCE COMMISSION STATE GUARANTEE RIDER

Pursuant to authority granted under the provisions of Section 152 of the Higher Education Student Assistance Act, approved and effective May 7, 2009 (the "*Guarantee Legislation*"), the Illinois Student Assistance Commission ("*ISAC*") has designated its Student Loan Revenue Bonds, Series 2009 (State Guaranteed) as guaranteed by the State (the "*Guaranteed Bonds"*). The Guaranteed Bonds were issued in late May, 2009 in the aggregate principal amount of $50,000,000. The State's guarantee constitutes a general obligation of the State and the full faith, credit and resources of the State are irrevocably pledged to the punctual payment of the principal of and interest on the Guaranteed Bonds as the same becomes due, whether at maturity or upon redemption. The guarantee of the State is limited to bonds so designated by ISAC in an aggregate principal amount of not greater than $50,000,000.

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PENSION SYSTEMS

The State has five Retirement Systems which provide benefits upon retirement, death or disability to employees and beneficiaries. The five Retirement Systems (collectively, the "*Retirement Systems*") are:

1. Teachers' Retirement System of the State of Illinois (the "*TRS*")
2. State Universities Retirement System (the "*SURS*")
3. State Employees' Retirement System of Illinois (the "*SERS*")
4. Judges Retirement System of Illinois (the "*JRS*")
5. General Assembly Retirement System (the "*GARS*")

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. The Illinois Constitution guarantees that members' retirement benefits, once granted, cannot be diminished or impaired.

Members of each Retirement System, as a condition of participation, contribute a portion of their annual salary. The member's 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 retired members, 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 the employee has worked at the time of retirement.

Actuarial services are retained by each Retirement System to report on its aggregate membership, fair market value of assets, the actuarially determined aggregate liability for benefits, and its Unfunded Accrued Actuarial Liability (or "*UAAL*"). The most recently available Actuary Reports as of fiscal year ending June 30, 2008 are summarized for all Retirement Systems:

- Total membership of 706,579 consisting of 311,251 active members, 202,974 inactive members entitled to benefits and 192,354 retired members and beneficiaries.

- Approximately $64.7 billion of assets at fair market value, approximately $119.1 billion in actuarially determined accrued liability, and a UAAL of approximately $54.4 billion, or a funded ratio of 54.3%, which decreased from a funded ratio of 62.6% as of June 30, 2007.

The following chart sets forth the number of participants, assets, liabilities and UAAL for each individual Retirement System as of June 30, 2008:

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TABLE 20
RETIREMENT SYSTEMS' PENSION FUND STATISTICS

	Participants (As of June 30, 2008)				$ in millions (As of June 30, 2008)		
Retirement System	**Active Members**	**Inactive / Entitled to Benefits**	**Retirees and Beneficiaries**	**Total**	**Assets[1]**	**Liabilities[2]**	**UAAL**
TRS	160,801	104,934	91,497	357,232	$38,430.72	$68,632.37	$30,201.64
SURS	83,074	76,261	43,395	202,730	14,586.33	24,917.68	10,331.35
SERS	66,237	21,679	56,111	144,027	10,995.37	23,841.28	12,845.91
JRS	957	25	956	1,938	612.68	1,457.34	844.66
GARS	182	75	395	652	75.41	235.78	160.37
Total	**311,251**	**202,974**	**192,354**	**706,579**	**$64,700.50**	**$119,084.44**	**$54,383.94**

[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 50-year funding schedule for the Retirement Systems which requires the State to contribute each year, starting with fiscal year 2011, the level percentage of payroll sufficient to cause the assets of the Retirement Systems to equal 90 percent of the total accrued liabilities by the end of fiscal year 2045. In fiscal years 1997 through 2010, contributions as a percentage of payroll are increased each year such that by fiscal year 2010, the contribution rate is at the same level as required for years 2011 through 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. Except as provided for fiscal years 2006 and 2007 in connection to certain pension benefit reform measures pursuant to Public Act 94-4 (described below), 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 transferred by the Comptroller and the Treasurer to the Retirement Systems, in amounts sufficient to meet their requirements.

ISSUANCE OF GO PENSION FUNDING BONDS AND ALLOCATION OF PROCEEDS

On June 12, 2003, the State issued $10 billion of GO Pension Obligation Bonds. The net proceeds of the GO Pension Obligation 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 Obligation 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, except as provided expressly in connection with the Pension Act for fiscal years 2006 and 2007, will be decreased by the debt service payments for such fiscal year on the then outstanding GO Pension Obligation Bonds to reflect the proceeds already received. Contributions for each fiscal year 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 Obligation 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 Obligation 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 net UAAL.

PUBLIC ACT 94-4

Public Act 94-4, effective June 1, 2005 (the "*Pension Act*"), made certain changes to plan benefit provisions which are expected to reduce future funding requirements. Certain provisions of the Pension Act are summarized below:

- New benefit increases are prohibited unless there is a specifically identified adequate additional funding source upon adoption of the benefit, and that all such benefit increases will expire five years after their effective date, unless extended by an act of the General Assembly.
- The Money Purchase Option is discontinued for TRS and SURS for participants employed after July 1, 2005. The Option provides that a member is entitled to an annuity computed under the defined benefit formula or the Money Purchase Option, whichever is greater. Employee contributions are matched at 140% and converted to an actuarially equivalent annuity. Under the Pension Act, the Illinois Comptroller assumes the role of setting each one-year Money Purchase Rate for grandfathered participants (those employed prior to July 1, 2005). Taking into account historical and projected future SURS assets performance, and giving affect to certain constitutional provisions, the Comptroller set the 2008 Money Purchase Option rate to 8.5%, a upward revision from 8.0% for 2007.
- Local employers must fund the additional cost of pension benefits attributable to pay increases during the final four years of employment that exceed 6%.
- The Early Retirement Option (ERO) for TRS, which replaces the ERO that expired June 30, 2005, increases the required member and school district contributions and increases the service requirement for unreduced benefits from 34 to 35 years. TRS members who have notified their employer by June 1, 2005 of their intent to retire by July 1, 2007 remain eligible to retire under the prior ERO.
- Local employers are required to pay the normal cost related to sick leave granted in excess of the normal allotment.
- Payments into the Retirement Systems for fiscal year 2006 and 2007 are set to $1,431.7 million and $1,868.9 million respectively, which include debt service of approximately $496 million each year required for the GO Pension Funding Bonds issued in fiscal year 2003. Contributions for normal and unfunded pension costs resume under the 50-year funding schedule pursuant to Public Act 88-593 in fiscal year 2008, adjusted for debt service on the GO Pension Funding Bonds as described further herein.

PUBLIC ACT 96-43

Public Act 96-43, effective July 15, 2009, provided for the issuance of $3,466 million of Pension Funding Bonds to be used for funding or reimbursing a portion of the State's retirement systems. The net General Funds portion of the FY10 pension contribution is approximately $3,575 million. The public act further provided that the actuarial valuation of the retirement system funding levels of the determined five year asset smoothing calculation which is applicable to the June 30, 2009 actuarial valuation. Under this convention, investment gains and losses are amortized on a straight line basis over five years.

PROPOSED PENSION REFORMS

House Joint Resolution Number 65 of the 96th General Assembly, created the Pension System Modernization Task Force. The taskforce includes members of the General Assembly, organized labor, the business community, and retirees. It is to meet at least monthly between June and October of 2009, and is to report its findings to the Governor and the General Assembly on or before November 1, 2009.

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 2003 through fiscal year 2008.

TABLE 21
PENSION SYSTEMS DEGREE OF FUNDING
FISCAL YEARS ENDING JUNE 30TH 2003-2008
($ IN MILLIONS)

Fiscal Year	Total Assets[1]	Liabilities[2]	Ratio (%)
2003	40,721.2	83,825.2	48.6%
2004	54,738.9	89,832.4	60.9%
2005	58,577.8	97,178.1	60.3%
2006	62,341.4	103,073.5	60.5%
2007	70,731.2	112,908.6	62.6%
2008	64,700.5	119,084.4	54.3%

[1] Net assets are reported at fair market value per Governmental Accounting Standards Board Statement 25.

[2] Actuarially determined accrued cost of projected benefits.

In FY04, in addition to its then current obligations to the Retirement Systems for FY04 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 (now prohibited under the Pension Act), 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.

DECLINE IN RETIREMENT SYSTEM ASSETS

The significant decline in financial markets during fiscal year 2009 has resulted in deterioration of retirement system assets. Preliminary and unaudited June 30, 2009 reports indicate losses of approximately 20% during fiscal year 2009. These losses will result in increased funding requirements if not reversed.

The fiscal year 2009 actuarial valuations, audited financial statements and various measures including funding ratios for the fiscal year ending June 30, 2009, are not expected to be available until approximately November, 2009.

FINANCIAL DATA FOR RETIREMENT SYSTEMS

The tables that follow provide information on the assets, liabilities, income and expenses for each Retirement System for FY 04 - 08. The data were obtained from the audited financial statements of the Retirement Systems.

TABLE 22
STATE RETIREMENT SYSTEMS
FISCAL YEAR 2008
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities[1]
Begin, Net Assets[2]	12,078,909.0	41,909,318.0	15,985,730.2	87,182.2	670,091.0	70,731,230.4	584,020.4
Income							
Member contributions	249,955.2	865,400	264,149.4	1,772.9	15,443.1	1,396,720.6	45,951.9
State contributions	587,732.4	1,041,115	344,945.2	6,809.8	46,978.0	2,027,580.4	38,954.1
Investment income	(1,690,697.8)	(2,014,902)	(675,722.1)	(4,708.3)	(37,976.5)	(4,424,006.7)	(39,127.0)
Other							
Expenditures							
Benefits	519,136.8	3,423,982	1,275,713.7	15,258.6	80,512.6	5,314,603.8	3.459.0
Refunds	4,932.0	60,286	44,984.3	147.8	842.0	111,192.1	9,955.3
Administration	12,329.2	16,613	12,079.2	244.3	500.4	41,766.1	
Other							
Equity Transfer							
Ending Net Asset Balance	10,995,366.5	38,430,723	14,586,325.5	75,405.9	612,680.6	64,700,501.5	616,385.0
Actuarial Liabilities[3]	23,841,280.1	68,632,367	24,917,678.0	235,780.1	1,457,336.1	119,084,441.2	N/A
Unfunded Accrued Liability	12,845,913.6	30,201,644	10,331,352.5	160,374.1	844,655.5	54,383,939.8	N/A
Asset/Liability Ratio	46.1%	56.0%	58.5%	32.0%	42.0%	54.3%	N/A

1 The SURS Self Managed Plan (SMP) 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, 2007, 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 2007
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities[1]
Begin, Net Assets[2]	10,899,853	36,584,899.4	14,175,147.2	82,254.8	599,234.1	62,341,378.5	350,180.6
Income							
Member contributions	224,772.6	826,249.0	262,350.8	1,703.3	14,153.0	1,329,178.7	33,308.8
State contributions	358,786.7	737,670.6	261,142.6	5,470.4	35,236.8	1,398,307.1	41,641.8
Investment income	1,779,907.1	6,831,324,.4	2,517,496.0	12,991.0	98,157.7	11,239,876.2	80,335.0
Other		115,915.4					
Expenditures							
Benefits	1,161,291.0	3,111,752.7	1,177,348.0	14,719.3	75,615.9	5,540,726.9	3,226.6
Refunds	14,261.9	59,731.9	41,353.8	297.8	620.6	116,266.0	12,053.6
Administration	8,807.6	15,246.2	11,704.5	220.3	454.2	36,432.8	-
Other							
Equity Transfer							
Ending Net Asset Balance	12,078,909.0	41,909,318.0	15,985,730.2	87,182.2	670,091.0	70,731,230.4	584,020.4
Actuarial Liabilities[3]	22,280,916.7	65,648,395.0	23,362,079.2	231,914.0	1,385,339.6	112,908,644.5	N/A
Unfunded Accrued Liability	10,202,007.7	23,739,077.0	7,376,349.0	144,731.8	715,248.6	42,177,414.1	N/A
Asset/Liability Ratio	54.2%	63.8%	68.4%	37.6%	48.4%	62.6%	N/A

1 The SURS Self Managed Plan (SMP) 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, 2007, 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 2006
($ IN THOUSANDS)

	SERS	**TRS**	**SURS**	**GARS**	**JRS**	**Total**	**Self Managed Plan State Universities**[1]
Begin, Net Assets[2]	10,494,147.9	34,085,218.5	13,350,277.6	83,273.2	564,999.4	58,577,916.6	350,180.7
Income							
Member contributions	214,108.8	799,034.3	180,018.0	1,491.8	13,833.1	1,208,486.0	29,366.2
State contributions	210,499.7	534,305.2	252,921.8	4,175.4	29,337.9	1,031,240.0	39,470.3
Investment income	1,113,231.7	3,993,289.8	1,532,095.6	7,873.0	61,329.7	6,707,819.8	34,714.7
Other		123,542.6					
Expenditures							
Benefits	1,110,585.9	2,877,230.5	1,085,383.7	14,065.8	68,997.1	5,156,263.0	1,181.6
Refunds	13,410.0	57,967.0	42,620.2	187.9	821.6	115,006.7	8,802.4
Administration	8,139.2	15,303.3	11,982.2	304.7	447.3	36,176.7	
Other			179.6			179.6	
Equity Transfer							
Ending Net Asset Balance	10,899,853.0	36,584,889.4	14,175,147.2	82,254.8	599,234.1	62,341,378.5	350,180.6
Actuarial Liabilities[3]	20,874,541.9	58,996,913.0	21,688,900.0	221,713.3	1,291,394.8	103,073,463.0	N/A
Unfunded Accrued Liability	9,974,688.9	22,412,023.6	7,513,752.8	139,458.5	692,160.7	40,732,084.5	N/A
Asset/Liability Ratio	52.2%	62.0%	65.4%	37.1%	46.4%	60.5%	N/A

1 The SURS Self Managed Plan (SMP) 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, 2006, 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 2005
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities[1]
Begin, Net Assets[2]	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
Income							
Member contributions	209,334.2	761,790.0	251,939.6	1,451.3	13,268.5	1,237,783.6	33,645.8
State contributions	427,464.6	906,749.4	285,423.3	4,675.0	32,043.0	1,656,355.3	27,411.7
Investment income	953,579.2	3,330,039.2	1,279,618.1	7,642.5	50,849.0	5,621,728.0	22,346.7
Other		168,813.0				168,813.0	
Expenditures						-	
Benefits	1,063,970.4	2,553,102.9	1,004,452.2	13,363.3	64,539.6	4,699,428.4	917.5
Refunds	14,105.3	59,395.8	35,775.9	23.2	740.5	110,040.7	7,380.9
Administration	8,311.3	14,403.7	12,087.1	317.1	460.8	35,580.0	
Other			692.8			692.8	
Equity Transfer							
Ending Net Asset Balance	10,494,147.9	34,085,218.5	13,350,277.6	83,273.2	564,999.4	58,577,916.6	350,180.7
Actuarial Liabilities[3]	19,304,646.6	56,075,029.0	20,349,000.0	212,905.7	1,236,512.1	97,178,093.4	N/A
Unfunded Accrued Liability	8,810,498.7	21,989,810.5	6,998,722.4	129,632.5	671,512.7	38,600,176.8	N/A
Asset/Liability Ratio	54.4%	60.8%	65.6%	39.1%	45.7%	60.3%	N/A

[1] The SURS Self Managed Plan (SMP) 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, 2005, 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 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 SURS SMPis 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, 2004, per GASB Statement 25.
[3] Actuarially determined accrued benefit costs.
Note: Numbers may not add due to rounding.

Other Post Employment Benefits

As required by the Government Accounting Standards Board (GASB) in its Statement #45 "**Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions**", the state has determined that the accrued actuarial liability associated with Other Post Employment Benefits (OPEB) as reported in the fiscal year 2008 Comprehensive Annual Financial Report was $23,890 million as of June 30, 2007. The valuation was conducted by an independent actuary based on census data, employer contributions, and payroll amounts provided by the state. Individuals covered include State and University employees, retirees and dependents. Illinois teachers are not included as they participate in a multiemployer cost sharing plan, which GASB excludes from Statement #45.

At the present time, the state is not prefunding its obligation. During fiscal year 2008 the state incurred an Annual Required Contribution of $1.776 billion, while making an actual contribution of $538 million, resulting in a balance sheet liability of $1.238 billion.

ADDITIONAL INFORMATION

The information contained in this Official Statement is subject to change without notice and no implication may or shall be derived there from 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 ADVISORS

First Southwest Company, New York, New York, have been retained by the State to serve as Financial Advisors with respect to the Bonds (the "*Financial Advisor*"). The Financial Advisor was retained by the State to provide a third-party verification of the bidding results.

MISCELLANEOUS

Additional information regarding the Bonds and this Official Statement is available by contacting the Governor's Office of Management and Budget, 108 State House, 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

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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 thirteenth among all states. Illinois ranks third among all states in total cash receipts from crops, second in feed and grain exports, second in soybean and product exports, third in exports of all commodities 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[1] – July 2009
(Thousands)

Industry Employment Sector	Illinois*	% of Total	U.S.**	% of Total
Natural Resources and Mining	10	0.2%	740	0.6%
Construction	226	4.0%	6,367	4.8%
Information and Financial Activities	483	8.5%	10,695	8.1%
Manufacturing	583	10.2%	12,146	9.2%
Trade, Transportation and Utilities	1,161	20.4%	25,371	19.2%
Professional and Business Services	796	14.0%	16,783	12.7%
Education and Health Services	804	14.1%	19,175	14.5%
Leisure and Hospitality	518	9.1%	13,168	9.9%
Other Services	259	4.5%	5,420	4.1%
Government	858	15.1%	22,616	17.1%
Total	5,698	100.0%	132,481	100.0%

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

* Data as of May 2009
** Data as of April 2009

[1]Beginning in March 2003, the basis for industry classification changed from the 1987 Standard Industrial Classification System to the 2002 North American Industry Classification System

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Table A-2

NON-AGRICULTURAL PAYROLL JOBS BY INDUSTRY
ILLINOIS - 2004 THROUGH January 2009
(Thousands)

Industry Employment Sector	2004	2005	2006	2007	2008
Total Non-Agricultural Employment	5,827	5,931	5,970	5,991	5,784
Natural Resources and Mining	9	10	10	10	10
Construction	265	275	279	273	235
Manufacturing	699	688	679	673	616
Trade, Transportation and Utilities	1,201	1,223	1,217	1,202	1,177
Information and Financial Activities	519	524	532	526	496
Professional and Business Services	799	837	858	882	816
Education and Health Services	731	758	759	782	804
Leisure and Hospitality	509	512	532	539	514
Other Services	257	260	261	261	261
Government	838	844	843	844	854

Source: U.S. Department of Labor, Bureau of Labor Statistics, July 2009.

Agriculture

Illinois ranks prominently among states for agricultural activity and exports. Tables A-3 and A-4 summarize key agricultural production statistics including rank among all states for the years 2002 to 2006.

Table A-3

ILLINOIS CASH RECEIPTS FROM CROPS AND LIVESTOCK
($ in Millions)

	2002	2003	2004	2005	2006	2006 Rank
Crops	$6,160	6,716	$6,993	$6,859	$6,841	3
Livestock	1,549	1,798	1,938	1,988	1,795	25
Total	$7,709	$8,514	$8,931	$8,847	$8,636	7

Source: U.S. Department of Agriculture-Economic Research Service, December 2007.
Note: 2007 and 2008 data not yet available.

Table A-4

AGRICULTURAL EXPORTS
Federal Fiscal Year 2008
($ in Millions)

Agricultural Exports	U.S. Total	Illinois Share	% of U.S.	Rank
All Commodities	$115,452	$7,541	6.5%	3
Feed Grain and Products	18,148	2,858	15.7%	2
Soybeans and Products	19,332	2,794	14.5%	2

Source: U.S. Department of Agriculture-Economic Research Service, July 2009.

Contracts For Future Construction

Contracts for future construction in Illinois averaged $17.3 billion annually during the period 1995 through 2005 and totaled $24.3 billion in 2005. During the period 1995 through 2005, building permits issued for residential construction averaged 54,900 annually, with an average annual valuation of $7 billion. Table A-5 presents annual data on contracts for future construction and residential building activity.

Table A-5

CONTRACTS FOR FUTURE CONSTRUCTION AND RESIDENTIAL BUILDING
(Valuations in $ Millions)

	Future Contracts for Residential, Non-residential and Non-building Construction[1]	Residential Building Activity (Privately-Owned Housing Units)[2]	
Year	**Valuation**	**Permits**	**Valuation**
1997	12,703	46,323	5,087
1998	15,000	47,984	5,618
1999	16,450	53,974	6,538
2000	16,945	51,944	6,528
2001	19,393	54,839	7,141
2002	20,653	60,971	8,546
2003	19,033	62,211	9,106
2004	21,823	59,753	9,551
2005	24,300	66,942	10,963
2006	24,306	58,802	9,470
2007	20,896	43,020	6,936
2008	20,809	22,528	3,783

[1] Department of Commerce and Economic Opportunity

[2] U.S Census Bureau, Housing Units Authorized by Building Permits: Annual, various issues, July 2009.

Financial Institutions

Illinois serves as the financial center of the Midwest. As of March 21, 2009, there were 566 banks headquartered in Illinois with total assets of $311.2 billion. In addition, there were 85 thrifts headquartered in Illinois with assets of $34.5 billion.

The following table lists the 3 largest banks listing Illinois headquarters.

Table A-6

Financial Institutions
($ in Millions)

Financial Institution	**Assets as of 6/1/08**
The Northern Trust Company	$65,796.33
Harris Bank, N.A.	$49,182.32
MB Financial Bank, N.A.	$9,008.34
Total	**$123,986.98**

Source: Federal Deposit Insurance Corporation and the Illinois Department of Financial and Professional Regulation

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 comparisons.

Table A-7

PERSONAL INCOME
($ in Billions)

	1990	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Illinois	$238	$426.9	$445.2	$463.1	$490.5	$526.0	$547.0
United States	4,886	9,150.3	9,711.4	10,252.8	10977.3	11,634.3	12.086.5

Source: U.S. Department of Labor, Bureau of Labor Statistics July 2009.

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Table A-8

PER CAPITA PERSONAL INCOME
($ in Billions)

	1990	2005	2006	2007	2008	Rank
Illinois	$20,824	$36,264	38,409	$41,012	$42,397	13
United States	19,477	34,471	36,714	38,615	39,751	--
Ten Most Populous States:						
New Jersey	$17,421	$43,831	$46,763	$49,511	$50,919	1
New York	21,638	39,967	44,027	46,364	48,076	2
California	24,572	36,936	39,626	41,805	42,696	3
Illinois	**20,824**	**36,264**	**38,409**	**41,012**	**42,397**	**4**
Pennsylvania	18,922	34,937	36,826	38,793	40,265	5
Florida	19,867	34,001	36,720	38,417	39,070	6
Texas	23,523	32,460	35,166	37,083	38,575	7
Ohio	19,564	31,860	33,320	34,468	35,511	8
Michigan	18,743	32,804	33,788	34,423	35,299	9
Georgia	17,603	30,914	32,095	33,499	33,975	10
Great Lakes States:						
Illinois	**$20,824**	**$36,264**	**$38,409**	**$41,012**	**$42,397**	**1**
Wisconsin	18,072	33,278	34,405	36,272	37,314	2
Ohio	19,564	31,860	33,320	34,468	35,511	3
Michigan	18,743	32,804	33,788	34,423	35,299	4
Indiana	17,491	31,173	32,288	33,215	34,103	5
Average	18,599	33,076	34,103	35,878	36,925	

Source: US Department of Commerce, Bureau of Economic Analysis, July 2009.

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Employment

Table A-9

NUMBER OF UNEMPLOYED

	2004	2005	2006	2007	2008	2009*
United States	8,149,000	7,591,000	7,001,000	7,078,000	8,924,000	13,724,000
Illinois	398,047	370,810	297,631	374,597	433,684	656,242
Bloomington-Normal MSA	3,842	3,688	3,093	3,582	4,679	5,339
Champaign-Urbana MSA	5,283	5,022	4,530	5,404	6,967	7,615
Chicago PMSA	294,099	278,513	217,021	242,098	306,184	474,987
Danville MSA	3,043	2,481	2,233	2,456	3,096	3,579
Davenport-Moline-Rock Island MSA	10,347	9,487	8,701	9,047	10,779	13,378
Decatur MSA	3,637	3,312	2,917	3,242	3,962	5,211
Kankakee MSA	3,889	3,466	3,095	3,710	4,951	5,732
Peoria-Pekin MSA	10,232	9,197	7,939	9,314	11,620	18,701
Rockford MSA	12,249	10,924	9,191	11,254	15,978	21,056
Springfield MSA	5,797	5,231	4,832	5,407	6,780	6,656

Note: U.S. BLS dropped Quad Cities Region and St. Louis MSA, IL portion and added Danville and Davenport-Moline-Rock Island MSAs

* Data as of April 2009
Source: U.S. Department of Labor, Bureau of Labor Statistics Data, July 2009.

Table A-10

UNEMPLOYMENT RATE (%)

	2004	2005	2006	2007	2008	2009*
United States	5.5	5.1	4.5	4.6	5.8	8.9
Illinois	6.2	5.7	4.2	5.1	6.5	9.3
Bloomington-Normal MSA	4.5	4.2	3.4	4.0	5.1	5.9
Champaign-Urbana MSA	4.5	4.2	3.7	4.5	5.7	6.2
Chicago PMSA	6.2	5.9	4.5	4.9	6.2	9.8
Danville MSA	8.1	6.5	5.9	6.5	8.2	9.7
Davenport-Moline-Rock Island MSA	5.2	4.7	4.2	4.4	5.2	6.5
Decatur MSA	6.9	6.2	5.3	5.9	7.2	9.8
Kankakee MSA	7.5	6.5	5.6	6.6	8.8	10.6
Peoria-Pekin MSA	5.5	4.8	4.0	4.6	5.7	9.1
Rockford MSA	7.4	6.5	5.3	6.4	9.1	12.1
Springfield MSA	5.3	4.6	4.2	4.7	5.9	6.0

Note: U.S. BLS dropped Quad Cities Region and St. Louis MSA, IL portion and added Danville and Davenport-Moline-Rock Island MSAs.

*as of April 2009
Source: U.S. Department of Labor, Bureau of Labor Statistics Data, July 2009.

Population

Illinois is the nation's fifth most populous state. The State's population is approximately 12.91 million according to the U.S Bureau of the Census for calendar year 2008.

Table A-11

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. (Population data for 1980 and 1990 reflect Metropolitan Statistical Area definitions as of June 30, 1993.)

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 State Constitution, these officials were elected at a general election in November 2006 and took office as of January 8, 2007. The current Governor, Pat Quinn, was elected Lieutenant Governor in such election, took office as Lieutenant Governor on January 8, 2007, and took office as Governor on January 30, 2009, after Rod R. Blagojevich was removed from such office by the State Senate. The next State general election will be held in November 2010.

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 of Representatives 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.

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APPENDIX B

FORM OF APPROVING OPINION OF DRINKER BIDDLE & REATH LLP, BOND COUNSEL

State of Illinois
Springfield, Illinois

Re: State of Illinois General Obligation Bonds, Series A of September, 2009

Ladies and Gentlemen:

We have acted as bond counsel to the State of Illinois (the "State") in connection with the issuance by the State of its General Obligation Bonds, Series A of September, 2009, dated the date hereof (the "Bonds"), in the aggregate principal amount of $400,000,000, pursuant to the General Obligation Bond Act, 30 ILCS 330/1, *et seq*., as amended, and the Bond Sale Order of the Governor of the State and the Director of the Governor's Office of Management and Budget of the State, dated September __, 2009 (the "Bond Sale Order"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on representations of the State contained in the Bond Sale Order, the certified proceedings and other certifications of public officials furnished to us, and certifications, representations and other information furnished to us by or on behalf of the State and others, including, without limitation, certifications contained in the tax compliance certificate of the State, dated the date hereof, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized, executed and delivered by the State and are valid and binding direct, general obligations of the State, secured by a pledge of its full faith and credit.

2. Under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on this date (the "Code"), the interest on the Bonds is excluded from gross income for federal income tax purposes. The opinion set forth in the preceding sentence is subject to the condition that the State comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The State has covenanted or represented that it will comply with such requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

3. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Preliminary Official Statement, dated September 9, 2009, relating to the Bonds, the Official Statement Addendum, dated __________, 2009 relating to the Bonds, or any other offering material relating to the Bonds.

We express no opinion regarding any tax consequences arising with respect to the Bonds, other than as expressly set forth herein.

With respect to the enforceability of any document or instrument, this opinion is subject to the qualifications that: (i) the enforceability of such document or instrument may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance and similar laws relating to or affecting the enforcement of creditors' rights; (ii) the enforceability of equitable rights and remedies provided for in such document or instrument is subject to judicial discretion, and the enforceability of such document or instrument may be limited by general principles of equity; (iii) the enforceability of such document or instrument may be limited by public policy; and (iv) certain remedial, waiver and other provisions of such document or instrument may be unenforceable, provided, however, that, in our opinion, the unenforceability of those provisions would not, subject to the other qualifications set forth herein, affect the validity of such document or instrument or prevent the practical realization of the benefits thereof.

This opinion is given only as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX C

GLOBAL BOOK-ENTRY SYSTEM

The information under this caption concerning DTC and DTC's book-entry system is based solely on information provided by DTC. Accordingly, no representation is made by the State, the Bond Registrar or the Underwriters as to the completeness or accuracy of such information, or as to the absence of changes in such information subsequent to the date hereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Bonds"). The Bonds 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 Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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, however, 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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds 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 Bond 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 Bond Registrar, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments 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 Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Bond Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Bond Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Bond Registrar's DTC account.

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

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

The information in this section 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.

The State and the Bond Registrar cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants, will distribute to the Beneficial Owners of the Bonds (a) payments of principal of, premium, if any, or interest on the Bonds, (b) confirmations of their ownership interests in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, the Direct Participants or the Indirect Participants, will serve and act in the manner described in this Official Statement. The information in this section 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.

Neither the State nor the Bond Registrar will have any responsibility or obligations to the Direct Participants, Indirect Participants or the Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (2) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal amount of or redemption price or interest on the Bonds;

(3) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted to be given to Holders under the terms of the Trust Indenture; (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (5) any consent given or other action taken by DTC as Holder.

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APPENDIX D

CONTINUING DISCLOSURE UNDERTAKING

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

ANNUAL FINANCIAL INFORMATION DISCLOSURE

The State covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (as described below) through the Electronic Municipal Market Access ("EMMA") system established by the Municipal Securities Rulemaking Board (the "MSRB") for purposes of the Rule and to the repository, if any, designated by the State as the state depository (the *"SID"*). The State is required to deliver such information so that such entities receive the information by the dates specified in the Undertaking and described below.

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

"*Annual Financial Information*" means financial information and operating data of the type contained herein (i) in Tables 1 through 3 and 6 under the heading "State Financial Information", (ii) in Tables 7, 8, 11, 12 and 18 under the heading "Indebtedness", and (iii) in Tables 21 through 26 under the heading "Pension Systems." Annual Financial Information exclusive of Audited Financial Statements will be provided through EMMA and to the SID, if any, by 330 days after the last day of the State's fiscal year, which is currently June 30 of each year.

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

MATERIAL EVENTS DISCLOSURE

The State covenants that it will disseminate through EMMA for purposes of the Rule and to the repository, if any, designated by the State as the SID in a timely manner the disclosure of the occurrence of an Event (as described below) with respect to the Bonds that is material, as materiality is interpreted under the Securities Exchange Act of 1934, as amended. The "Events", certain of which may not be applicable to the Bonds, are:

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

- defeasances;
- release, substitution or sale of property securing repayment of the securities; and
- rating changes.

CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION

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

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

AMENDMENT; WAIVER

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

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

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

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

TERMINATION OF UNDERTAKING

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

ADDITIONAL INFORMATION

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

DISSEMINATION AGENT

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

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