OFFICIAL NOTICE OF BOND SALE AND BID FORM

STATE OF ILLINOIS

$300,000,000

GENERAL OBLIGATION BONDS, SERIES OF SEPTEMBER 2005

ROD R. BLAGOJEVICH
Governor

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

Bids Will Be Received Via PARITY Until
11:00 A.M. Central Daylight Saving Time
September 22, 2005
As Described Herein

Bond Counsel
CHAPMAN AND CUTLER LLP

OFFICIAL NOTICE OF BOND SALE
STATE OF ILLINOIS
$300,000,000
GENERAL OBLIGATION BONDS, SERIES OF SEPTEMBER 2005

NOTICE is hereby given that sealed bids will be received by the Director (the *"Director"*) of the Governor's Office of Management and Budget (the *"GOMB"*) of the State of Illinois (the *"State"*) until the hour of 11:00 A.M. (Central Daylight Saving Time) on Thursday, September 22, 2005, via PARITY, in the manner described below, for the purchase of the following described bonds of the State:

> $300,000,000 General Obligation Bonds, Series of September 2005, hereinafter collectively known as the "Bonds". The Bonds will be dated the date of issuance thereof, and will be issued in fully registered form, without coupons. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (*"DTC"*), New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 and any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased unless the book-entry system is terminated. See "APPENDIX C—GLOBAL BOOK-ENTRY SYSTEM" in the Preliminary Official Statement relating to the Bonds (the *"Preliminary Official Statement"*). The Bonds will be payable as to principal on September 1 of each of the years 2006 to 2030, inclusive, as more fully set forth in the Preliminary Official Statement. The Bonds are subject to optional redemption and may be subject to mandatory sinking fund redemption prior to maturity as provided in the Preliminary Official Statement. Bidders have the option to designate and aggregate up to a maximum of five maturities as one or two maturities of term bonds as provided in the Preliminary Official Statement.

Principal of and interest (payable semiannually on the first days of March and September of each year, beginning on March 1, 2006) on the Bonds will be paid by the State Treasurer, as bond registrar, to DTC, which will remit such principal and interest to DTC's participants, who in turn will be responsible for remitting such payments to the beneficial owners of the Bonds, all as more fully described in the Preliminary Official Statement.

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

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

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

SECURITY

The General Obligation Bond Act of the State, as amended (the *"Bond Act"*), pursuant to which the Bonds are being issued, provides that all bonds issued thereunder shall be direct, general obligations of the State and pledges the full faith and credit of the State for the punctual payment of the interest thereon and for the payment of principal thereof at maturity as the same shall become due, or any earlier redemption date, and premium, if any, which provisions are made irrepealable until all such bonds are paid in full as to both principal and interest, all as more particularly set forth in the Preliminary Official Statement.

RATINGS AND BOND INSURANCE

The State has applied to Moody's Investor Service, Inc., Standard & Poor's Rating Services and Fitch Ratings for underlying ratings on the Bonds. Notification of the underlying ratings on the Bonds shall be made via TM3 wire simultaneously with the dollar amount of the costs of issuance (described in the BIDDING DETAILS herein) to be paid by the Successful Bidder.

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

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

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

BIDDING DETAILS

The Bonds will be awarded to the bidder (hereinafter, the *"Successful Bidder"*) whose bid conforms to the terms of this Official Notice of Bond Sale and which bid results in the lowest "true interest cost" (*"TIC"*), determined as follows: The TIC is the discount rate (expressed as a per-annum percentage rate) which, when used in computing the present value of all principal and interest to be paid on the Bonds, from the scheduled payment dates back to the date of delivery, produces a present value amount equal to the price bid, including premium, if any, to the date of delivery. Payments of principal and interest on the Bonds shall be based on the principal amounts set forth in the Official Bid Form and the interest rates specified by each bidder. The computation of present value shall be based on the number of semiannual periods between the schedules payment dates and the date of delivery, using a 360-day year of twelve 30-days months.

In the event of more than one bid specifying the lowest TIC as defined above, it shall be the option of the State to propose that the winning bidders syndicate the award as such bidders may mutually agree, or to select by lot among the bidders with the lowest TIC, in which case such determination by the State shall be considered final.

In the event of more than one Successful Bidder, there shall be decided between them which bidder shall assume the primary role of Successful Bidder in respect to the obligations in this Official Notice of Bond Sale, including the payment of expenses, good faith deposit and providing of Certification of Purchaser, and other disclosures and representations as required herein.

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

(i) all Bonds of the same maturity year (whether a serial maturity or a wholly designated and consecutive sinking fund redemption of a term bond as provided in the Preliminary Official Statement) must bear the same rate of interest and no one Bond shall bear more than one rate of interest;

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

(iii) the Initial Reoffering Prices (as defined below) of each maturity of the Bonds shall not be less than 99% of their par value.

No bid for the Bonds at a price less than 100% of their par value will be considered. Proposals may specify any number of interest rates, subject to (i) through (iii) above. No proposal will be considered which does not offer to purchase all of the Bonds. For information purposes only, and not for consideration as part of the bid, the TIC for the Bonds shall be specified in such bid, including bids submitted electronically via PARITY.

Each bid must be accompanied by a good faith deposit (the *"Deposit"*) in the form of either (i) a certified check or cashier's check drawn on a solvent bank or trust company authorized to transact business in the State or (ii) a financial surety bond from an insurance company licensed to issue such a bond in the State and acceptable to the State. The Deposit shall be payable to the order of the State Treasurer in the amount of $300,000. Good faith checks with respect to bids which are not accepted shall be promptly returned. Any good faith checks must be submitted to the GOMB, in care of Aaron P. Cook, 100 West Randolph, Suite 15-100, Chicago Illinois 60601, (312) 814-7277, prior to the opening of the bids. Any financial surety bond must be submitted to the GOMB prior to the opening of the bids, and must identify each bidder whose Deposit is guaranteed by such financial surety bond. If the Bonds are awarded to a bidder that submitted a financial surety bond, then such Successful Bidder shall submit its Deposit to the State in the form of a certified check or cashier's check, as described above, or wire transfer such amount as instructed by the GOMB, not later than 2:00 p.m., Central Daylight Saving Time, on the first business day following the award of the Bonds. If such Deposit is not received by such time, the financial surety bond may be drawn by the State to satisfy the Deposit requirement.

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

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

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

State law requires that no more than 0.5 percent of the principal amount of the proceeds of sale of the Bonds be used to pay the reasonable costs of issuance and sale, including, without limitation, underwriter's discount and fees, but excluding bond insurance. The Successful Bidder, as the purchaser of the Bonds, shall be responsible for the payment of all costs of issuance including the fees of Chapman and Cutler LLP, Chicago, Illinois (*"Bond Counsel"*), the financial advisor, the rating agencies, the cost of advertising and the payment of printing expenses. Prior to the date of sale, the State will advise prospective bidders by TM3 wire of the aggregate amounts of such fees and costs to be paid by the Successful Bidder. The Successful Bidder agrees to make payment for such expenses within 15 business days following receipt of invoices presented by the State.

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

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

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

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

PROVISIONS RELATING TO RULE 15C2-12

Final Official Statement

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

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

Continuing Disclosure

The State covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the *"Undertaking"*) to provide ongoing disclosure about the State for the benefit of the beneficial owners of the Bonds on or before the date of delivery of the Bonds as required under Section (b)(5) of Rule 15c2-12 (the *"Rule"*) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The Undertaking is described in the Preliminary Official Statement, with such changes as may be agreed to in writing by the Successful Bidder. The State is in compliance with each and every undertaking previously entered into by it pursuant to the Rule. The obligation of the Successful Bidder to purchase the Bonds shall be conditioned upon the State delivering the Undertaking on or before the date of delivery of the Bonds.

OTHER MATTERS

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

The Bonds are expected to be ready for delivery on or about September 29, 2005, and at delivery will be registered in the name of Cede & Co., as described above. Delivery of the Bonds will be made to DTC in New York, New York, without cost to the Successful Bidder. Payment for the Bonds must be made in Federal Reserve Bank funds which will be immediately available in Chicago on the day of delivery. The Successful Bidder shall have the right, at its option, to cancel its contract to purchase if the Bonds are not tendered for delivery to the Successful Bidder within thirty (30) days from the date of sale thereof, and in such event the Successful Bidder shall be entitled to the return of the Deposit. The State shall have the right, at its option, to cancel the contract of purchase if upon tender of the Bonds for delivery the Successful Bidder shall not have accepted delivery and paid for the Bonds, in which event the Deposit, without adjustment for interest, accompanying such bid shall be forfeited to the State as payment of damages for failure to comply with the contract of purchase for the Bonds.

The Preliminary Official Statement, the Official Notice of Bond Sale and the Official Bid Form, together with other pertinent information, may be obtained from the State of Illinois, Governor's Office of Management and Budget, Attention: Aaron P. Cook, 100 West Randolph, Suite 15-100, Chicago Illinois 60601, (312) 814-7277, or from Chapman and Cutler LLP, Bond Counsel, Attention: Kelly Kost, 111 West Monroe Street, Chicago, Illinois 60603, Telephone: (312) 845-3875.

Dated this 12th day of September, 2005.

ROD R. BLAGOJEVICH
Governor

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

OFFICIAL BID FORM

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

September 22, 2005

Director:

For your General Obligation Bonds, Series of September 2005, dated the date of issuance thereof, maturing as set forth below, and which Bonds are to be full faith and credit obligations of the State of Illinois as set forth in the Official Notice of Bond Sale, which is made a party hereof by reference, we will pay you the sum of:

$____
(Purchase price not to be less than 100% of the aggregate par amount of the Bonds).

The $300,000,000 aggregate principal amount of General Obligation Bonds, Series of September 2005, are to bear interest at the following respective interest rates (each a multiple of 1/8 or 1/20 of 1%) for the Bonds of each designated September 1 maturity.[1]

$12,000,000	2006	______%	$12,000,000	2019	______%
$12,000,000	2007	______%	$12,000,000	2020	______%
$12,000,000	2008	______%	$12,000,000	2021	______%
$12,000,000	2009	______%	$12,000,000	2022	______%
$12,000,000	2010	______%	$12,000,000	2023	______%
$12,000,000	2011	______%	$12,000,000	2024	______%
$12,000,000	2012	______%	$12,000,000	2025	______%
$12,000,000	2013	______%	$12,000,000	2026	______%
$12,000,000	2014	______%	$12,000,000	2027	______%
$12,000,000	2015	______%	$12,000,000	2028	______%
$12,000,000	2016	______%	$12,000,000	2029	______%
$12,000,000	2017	______%	$12,000,000	2030	______%
$12,000,000	2018	______%			

We hereby certify that the Initial Reoffering Price (as defined in the Official Notice of Bond Sale) of each maturity of the Bonds will not be less than 99% of their par value.

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1 Bidders should carefully review the interest rate limitations and specifications set forth in the Official Notice of the Bond Sale under the heading "BIDDING DETAILS." All maturities shall be serial maturities unless specified below to be designated and aggregated into not more than two term bond maturities as described in the Official Notice of Bond Sale, in which case the maturities so specified (up to a maximum of five maturities) shall be retired by mandatory sinking fund redemption in such years prior to maturity.

We hereby specify that the following maturities of Bonds be designated and aggregated into one or two term bonds maturing on September 1 of the following years and in the following amounts (leave blank if no term bonds are specified):

MATURITIES DESIGNATED AND AGGREGATED	YEAR OF TERM BOND MATURITY	PRINCIPAL AMOUNT
20__ through 20__	_________	_______________
20__ through 20__	_________	_______________

Said Bonds are to be executed and delivered to us in accordance with the terms of this bid accompanied by the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel.

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

We hereby further certify that the total costs of issuance and sale for the Bonds, including our underwriter's discount and fees and the issuance costs and fees to be incurred by the State (such aggregate amount of State costs having been disclosed to all prospective bidders by TM3 wire prior to the sale), but excluding bond insurance, is less than 0.5 percent of the principal amount of the proceeds of the Bonds.

As evidence of our good faith we enclose herewith a check or financial surety bond (the *"Deposit"*) in the amount of $300,000, in accordance with your Official Notice of Bond Sale, which is made a part hereof by reference.

Form of Deposit:
Check One:

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

____

Description of Check (if applicable):
Amount: $________________
Name of Bank

____

City________________ State _____________
Check No. ____________________________
Dated________________________________

Respectfully submitted:

Name: ________________________________
ACCOUNT MANAGER
By:___________________________________
Address _______________________________
City________________ State _____________
Telephone _____________________________
E-mail Address _________________________

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

By: ______________________________

____

BIDDERS OPTION INSURANCE

We have purchased
insurance from:
(Check One)

_____ AMBAC
_____ FGIC
_____ FSA
_____ MBIA
_____ XL Capital

Maturities: (Check One)
_____ _______ Years
_____ All

This bid was accepted and Bonds sold on September 22, 2005, and receipt is hereby acknowledged of the Deposit in accordance with the terms of the Official Notice of Bond Sale.

____

Director, Governor’s Office of Management and Budget

____________________ **Not a Part of Bid** ____________________

For information only, and not as a part of this bid, we calculate that on a true interest cost basis (calculated to the date of delivery), the net effective interest rate is _____% per annum.

OFFICIAL BID FORM

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

September 22, 2005

Director:

For your General Obligation Bonds, Series of September 2005, dated the date of issuance thereof, maturing as set forth below, and which Bonds are to be full faith and credit obligations of the State of Illinois as set forth in the Official Notice of Bond Sale, which is made a party hereof by reference, we will pay you the sum of:

$____
(Purchase price not to be less than 100% of the aggregate par amount of the Bonds).

The $300,000,000 aggregate principal amount of General Obligation Bonds, Series of September 2005, are to bear interest at the following respective interest rates (each a multiple of 1/8 or 1/20 of 1%) for the Bonds of each designated September 1 maturity.[1]

$12,000,000	2006	______%	$12,000,000	2019	______%
$12,000,000	2007	______%	$12,000,000	2020	______%
$12,000,000	2008	______%	$12,000,000	2021	______%
$12,000,000	2009	______%	$12,000,000	2022	______%
$12,000,000	2010	______%	$12,000,000	2023	______%
$12,000,000	2011	______%	$12,000,000	2024	______%
$12,000,000	2012	______%	$12,000,000	2025	______%
$12,000,000	2013	______%	$12,000,000	2026	______%
$12,000,000	2014	______%	$12,000,000	2027	______%
$12,000,000	2015	______%	$12,000,000	2028	______%
$12,000,000	2016	______%	$12,000,000	2029	______%
$12,000,000	2017	______%	$12,000,000	2030	______%
$12,000,000	2018	______%			

We hereby certify that the Initial Reoffering Price (as defined in the Official Notice of Bond Sale) of each maturity of the Bonds will not be less than 99% of their par value.

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1 Bidders should carefully review the interest rate limitations and specifications set forth in the Official Notice of the Bond Sale under the heading "BIDDING DETAILS." All maturities shall be serial maturities unless specified below to be designated and aggregated into not more than two term bond maturities as described in the Official Notice of Bond Sale, in which case the maturities so specified (up to a maximum of five maturities) shall be retired by mandatory sinking fund redemption in such years prior to maturity.

We hereby specify that the following maturities of Bonds be designated and aggregated into one or two term bonds maturing on September 1 of the following years and in the following amounts (leave blank if no term bonds are specified):

MATURITIES DESIGNATED AND AGGREGATED	YEAR OF TERM BOND MATURITY	PRINCIPAL AMOUNT
20__ through 20__	_________	_______________
20__ through 20__	_________	_______________

Said Bonds are to be executed and delivered to us in accordance with the terms of this bid accompanied by the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel.

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

We hereby further certify that the total costs of issuance and sale for the Bonds, including our underwriter's discount and fees and the issuance costs and fees to be incurred by the State (such aggregate amount of State costs having been disclosed to all prospective bidders by TM3 wire prior to the sale), but excluding bond insurance, is less than 0.5 percent of the principal amount of the proceeds of the Bonds.

As evidence of our good faith we enclose herewith a check or financial surety bond (the *"Deposit"*) in the amount of $300,000, in accordance with your Official Notice of Bond Sale, which is made a part hereof by reference.

Form of Deposit:
Check One:

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

Description of Check (if applicable):
Amount: $________________
Name of Bank
____
City________________ State _____________
Check No. ________________________________
Dated_________________________________

Respectfully submitted:

Name: ________________________________
ACCOUNT MANAGER
By:____________________________________
Address ________________________________
City________________ State _____________
Telephone ______________________________
E-mail Address __________________________

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

By: ______________________________
____

BIDDERS OPTION INSURANCE

We have purchased insurance from:
(Check One)

_____ AMBAC
_____ FGIC
_____ FSA
_____ MBIA
_____ XL Capital

Maturities: (Check One)
_____ _______ Years
_____ All

This bid was accepted and Bonds sold on September 22, 2005, and receipt is hereby acknowledged of the Deposit in accordance with the terms of the Official Notice of Bond Sale.

____
Director, Governor's Office of Management and Budget

____________________ **Not a Part of Bid** ____________________

For information only, and not as a part of this bid, we calculate that on a true interest cost basis (calculated to the date of delivery), the net effective interest rate is _____% per annum.

EXHIBIT I

FORM OF CERTIFICATION OF PURCHASER[1]

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

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

1. The Purchaser and the State of Illinois (the *"State"*) have entered into an agreement on September 22, 2005 (the *"Sale Date"*), concerning the purchase by the Purchaser from the State of the General Obligation Bonds, Series of September 2005, dated the date of issuance thereof (the *"Bonds"*). Said agreement has not been modified since its execution on the Sale Date.

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

MATURITY DATE	PRINCIPAL AMOUNT	RATE OF INTEREST	OFFERING PRICE	OFFERING YIELD
2006	$12,000,000	%	$	%
2007	12,000,000			
2008	12,000,000			
2009	12,000,000			
2010	12,000,000			
2011	12,000,000			
2012	12,000,000			
2013	12,000,000			
2014	12,000,000			
2015	12,000,000			
2016	12,000,000			
2017	12,000,000			
2018	12,000,000			
2019	12,000,000			
2020	12,000,000			
2021	12,000,000			
2022	12,000,000			
2023	12,000,000			
2024	12,000,000			

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1 To be revised as necessary to reflect the designation of term bonds by the Successful Bidder as provided in the Preliminary Official Statement under the heading "OPTIONAL DESIGNATION OF TERM BONDS."

MATURITY DATE	PRINCIPAL AMOUNT	RATE OF INTEREST	OFFERING PRICE	OFFERING YIELD
2025	12,000,000			
2026	12,000,000			
2027	12,000,000			
2028	12,000,000			
2029	12,000,000			
2030	12,000,000			

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

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

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

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

IN WITNESS WHEREOF, I hereunto affix my official signature, this ____ day of September, 2005.

[PURCHASER]

By ____________________________________

Title ________________________________

PRELIMINARY OFFICIAL STATEMENT

STATE OF ILLINOIS

$300,000,000
GENERAL OBLIGATION BONDS, SERIES OF SEPTEMBER 2005

Date of Sale: September 22, 2005

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

Preliminary Official Statement Printed: September 12, 2005

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE PURCHASER 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 statues, 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.

\$300,000,000
STATE OF ILLINOIS
GENERAL OBLIGATION BONDS,
SERIES OF SEPTEMBER 2005

INTRODUCTION

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

The purpose of this Official Statement (which includes the cover page and the Appendices) is to set forth certain information concerning the State of Illinois (the *"State"*) and the State's \$300,000,000 aggregate principal amount of General Obligation Bonds, Series of September 2005 (the *"Bonds"*). The issuance will consist of aggregate principal amounts and authorizations in the approximate amounts as follows:

\$150,000,000 for Capital Facilities purposes authorized by Section 3 of the General Obligation Bond Act of the State, as amended (30 ILCS 330/1 et seq.) (the *"Bond Act"*);

\$45,000,000 for Transportation A-Highway purposes authorized by Section 4(a) of the Bond Act;

\$35,000,000 for Transportation B-Mass Transit and Public Airport Facilities purposes authorized by Sections 4(b) and 4(c) of the Bond Act; and

\$70,000,000 for School Construction purposes authorized by Section 5 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 (*"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—ORGANIZATION".

The State has diversified economic strengths. Measured by per capita personal income, the State ranks fourth among the ten most populous states and 14th among all states. Illinois ranks third among all states in total cash receipts from crops, third 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", "STATE FINANCIAL INFORMATION" and "APPENDIX A—ECONOMIC DATA" for further information regarding the State.

AUTHORITY FOR ISSUANCE

The Bond Act authorizes the State to issue and sell direct, general obligations of the State (the *"GO Bonds"*). GO Bonds may be issued in the aggregate amount of approximately $16.9 billion (excluding refunding bonds) for capital purposes and in the amount of $10 billion of GO Bonds (the *"GO Pension Funding Bonds"*) for the purpose of funding or reimbursing a portion of the State's contributions to State retirement systems. Giving effect to the issuance of the Bonds, the State will have GO Bonds outstanding for capital improvements and refunding purposes in an aggregate principal amount of approximately $10 billion and GO Pension Funding Bonds outstanding in an aggregate principal amount of $10 billion. See "AUTHORITY FOR ISSUANCE," "INDEBTEDNESS—GENERAL OBLIGATION BONDS" and "PENSION SYSTEMS."

SECURITY

The Bonds are direct, general obligations of the State, and, pursuant to the Bond Act, the full faith and credit of the State is pledged for the punctual payment of interest on all GO Bonds issued under such act, including the Bonds, as it comes due and for the punctual payment of the principal thereof at maturity, or any earlier redemption date, and premium, if any. These provisions are irrepealable until all GO Bonds issued under the Bond Act are paid in full as to both principal and interest. See "THE OFFERING—SECURITY."

TAX EXEMPTION

In the opinion of Chapman and Cutler LLP, interest on the Bonds is excludable from gross income for federal income tax purposes. Bond Counsel is further of the opinion that under existing law, interest on the Bonds is not exempt from present State income taxes. See "THE OFFERING—TAX MATTERS."

AUTHORITY FOR ISSUANCE

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

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

$7,320,235,369	for capital facilities within the State;
$3,432,129,000	for use by the Illinois Department of Transportation, Roads and Bridges;
$1,881,270,000	for use by the Illinois Department of Transportation, Public Transportation, Air and Rail;
$3,150,000,000	for grants to school districts;

\$480,315,000	for anti-pollution purposes;
\$663,200,000	for coal and energy development purposes; and
\$10,000,000,000	of GO Pension Funding Bonds for the purpose of funding or reimbursing a portion of the State's contributions to State retirement systems. See "PENSION SYSTEMS."

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

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

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

Public Act 93-0839 (effective July 30, 2004) amends the Bond Act and places certain restrictions on the issuance of GO Bonds, including the following (i) at least 25% of the GO Bonds issued within a fiscal year must be sold pursuant to notice of sale and public bid; (ii) GO Bonds must be issued with principal or mandatory redemption amounts in equal amounts in each fiscal year beginning the year following issuance and for a term not to exceed 25 years, with the first maturity issued occurring within the fiscal year in which the GO Bonds are issued or within the next succeeding fiscal year; and (iii) GO Bonds may not be issued if, after their issuance, in the next State fiscal year, the amount of debt service on all then-outstanding GO Bonds exceeds 7% of the General Funds and Road Fund appropriations for the fiscal year immediately prior to the fiscal year of the issuance (the hereinafter defined Treasurer and Comptroller, acting together, can waive this requirement). Public Act 98-0839 also requires the GOMB to comply with the Business Enterprise for Minorities, Females, and Persons with Disabilities Act (30 ILCS 575, *et seq.*) in respect to procuring services for the issuance of GO Bonds. Finally, no GO Bonds can be issued for refunding purposes unless (i) the refunding produces a net present value savings of at least 3% of the bonds being refunded and (ii) the maturities of the refunding bonds do not extend beyond the maturities of the bonds they refund.

THE OFFERING

DESCRIPTION OF BONDS

The Bonds will bear interest from their issue date and will mature on September 1 of each of the years 2006 to 2030, inclusive. Interest on the Bonds is payable semiannually on the first days of March and September of each year, beginning on March 1, 2006, 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 Treasurer of the State (the *"Treasurer"*), as bond registrar and paying agent (the *"Bond Registrar"*), to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. (See APPENDIX C—Global Book-Entry System).

MATURITY SCHEDULE

The maturity schedule for the Bonds, 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
$12,000,000	2006	$12,000,000	2019
12,000,000	2007	12,000,000	2020
12,000,000	2008	12,000,000	2021
12,000,000	2009	12,000,000	2022
12,000,000	2010	12,000,000	2023
12,000,000	2011	12,000,000	2024
12,000,000	2012	12,000,000	2025
12,000,000	2013	12,000,000	2026
12,000,000	2014	12,000,000	2027
12,000,000	2015	12,000,000	2028
12,000,000	2016	12,000,000	2029
12,000,000	2017	12,000,000	2030
12,000,000	2018		

REDEMPTION

Optional Redemption

The Bonds maturing on or after September 1, 2016 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, 2015, 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 *"GOBR&I 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 GOBR&I 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 GOBR&I Fund as required by the Bond Act, or if for any reason the General Assembly fails to make appropriations sufficient to pay the principal of, interest on and premium, if any, on the Bonds, when due, the Bond Act constitutes an irrevocable and continuing appropriation of all amounts necessary for that purpose, and the irrevocable and continuing authority for and direction to the Treasurer and the Comptroller of the State (the *"Comptroller"*) to make the necessary transfers, as directed by the Governor, out of and disbursements from the revenues and funds of the State.

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

On or before the last day of each month, the Bond Act requires the Treasurer and Comptroller to transfer from the General Revenue Fund, or with respect to bonds issued for Transportation A-Highway purposes (or bonds issued to refund bonds issued for such purposes) the Road Fund, to the GOBR&I 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 GOBR&I Fund are more than the amount otherwise to be transferred as hereinabove provided, and if the Governor or his authorized representative notifies the Treasurer and Comptroller of such fact in writing.

The moneys in the GOBR&I 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 GOBR&I 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 GOBR&I Fund for the payment of the Bonds as described in the preceding paragraph.

DEPOSIT OF PROCEEDS AND INVESTMENT OF FUNDS

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

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

The Treasurer may, with the Governor's approval, invest and reinvest any money in the GOBR&I 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 GOBR&I Fund.

RATINGS

Applications for ratings for the Bonds have been made to Moody's Investors Service, Inc. (*"Moody's"*), Standard & Poor's Rating Services (*"S&P"*) and Fitch Ratings (*"Fitch"*). Ratings from these organizations have not yet been received. These ratings, if assigned will reflect the views of the respective rating agency and an explanation of the significance of such rating may be obtained only from the respective rating agency. As part of the State's application for the ratings on the Bonds, certain information and materials, some of which are not contained herein, have been supplied to Moody's, S&P and Fitch. None of the ratings are a "market" rating or a recommendation to buy, sell or hold the Bonds, and the ratings and the Bonds should be evaluated independently.

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

The outstanding GO Bonds are currently rated "Aa3" by Moody's, "AA" by S&P and "AA" by Fitch. The S&P rating outlook was changed to "negative" in May 2003. In August 2005 the S&P rating was affirmed and "negative" rating outlook was changed back to stable. S&P's most recent reports on the State's long term debt ratings are available from S&P.

LEGAL OPINION

Legal matters incident to the authorization, issuance, date and delivery of the Bonds by the State are offered subject to the unqualified approving opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel.

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

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The State has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the State's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is not includible in the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the State with respect to certain material facts solely within the State's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the *"Code"*) includes provisions for an alternative minimum tax (*"AMT"*) for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income (*"AMTI"*), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (excluding S Corporations, Regulated Investment Companies, Real Estate Investment Trusts, REMICs and FASITs) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax-exempt interest, including interest on the Bonds.

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

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

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel express no opinion regarding any pending or proposed federal tax legislation.

Interest on the Bonds is not exempt from income taxes imposed by the State of Illinois.

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

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

CONTINUING DISCLOSURE

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

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

LITIGATION

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

The following describes certain pending lawsuits in Illinois.

In October 1997, the Illinois Supreme Court ruled that the insurance privilege tax, as it existed in Illinois law between 1993 and 1997, was unconstitutional. The cases challenging this tax were consolidated and remanded to the Circuit Courts of Cook County and Sangamon County for a determination of damages. In October 2002, the majority of the pending cases, both in terms of number of cases and dollar value, were dismissed by the Cook County and Sangamon County

Courts pursuant to a settlement agreement between the parties. The settlement agreement provides for the release of $57.9 million from the Protest Fund, which has been transferred to the State's general funds. A total of $20.2 million was paid out of the Protest Fund in settlement to certain plaintiffs. See "STATE FINANCIAL INFORMATION-Money Paid to the State Under Protest." There remains approximately $11.5 million in the Protest Fund from insurance privilege taxes. While the State cannot predict the exact amount of further settlements or damages that may be awarded, the State expects that such settlements or awards would not materially adversely affect the security for the Bonds or the State's ability to pay debt service on the Bonds.

In November 2004, the Circuit Court of Cook County ruled that the imposition of a surcharge on workers' compensation insurance policies coupled with a mechanism to transfer a portion of the proceeds from the surcharge to the State's general funds as enacted by Public Act 93-32 was unconstitutional. As a result, the Cook County Court escrowed $11.5 million of proceeds pending final disposition of the case. The State filed a direct appeal of the Cook County Court's ruling to the Illinois Supreme Court. The Court heard argument on the matter in May 2005. As of the date hereof the Court has not released its opinion. In a separate action brought in the Circuit Court of Sangamon County in December 2004, a group of trade associations representing certain depository institutions challenged the constitutionality of similar fee imposition and transfer mechanisms applicable to their industries. On March 11, 2005, the Sangamon County Court issued a preliminary injunction barring further transfers from the funds before it as this case continues to be litigated. Other industry associations and interest groups have filed a number of similar actions in Cook and Sangamon Counties challenging the constitutionality of the imposition of similar fees and the application of transfer mechanisms to their industries and interests. One such matter, filed by an association of aggregate producers, which challenged the imposition of fees for certain environmental permits was dismissed on the State's motion by the Circuit Court of Sangamon County. In May 2005, the Appellate Court of Illinois, Fourth Circuit, upheld the trial court's dismissal, rejecting the plaintiff's constitutional challenges to the fees and transfers. The State anticipates that the Illinois Supreme Court's opinion in the matter pending before it will also dispose of the similar matters described above now pending in Cook and Sangamon Counties. While the State cannot predict the ultimate outcome of the workers' compensation appeal, the depository institutions case, or the other similar matters described above, the State is pursuing all vigorously, and expects that even adverse decisions would not materially adversely affect the security for the Bonds or the State's ability to pay debt service on the Bonds.

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

STATE OF ILLINOIS

ORGANIZATION

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

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

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

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

CONSTITUTIONAL PROVISIONS RELATING TO REVENUES AND EXPENDITURES

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

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

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

The GOMB, previously known as the Bureau of the Budget, was created in 1969 by an act of the General Assembly. The GOMB is headed by the Director, who is appointed by the Governor. In addition to assisting the Governor in developing the budget, the GOMB provides financial and other information regarding the State to securities investors, Nationally Recognized Municipal Securities Information Repositories (each, a *"NRMSIR"*) and others as required by federal securities rules (see "THE OFFERING-CONTINUING DISCLOSURE" and "APPENDIX D—CONTINUING DISCLOSURE UNDERTAKING").

STATE FINANCIAL INFORMATION

FINANCIAL STATEMENTS

The tables that follow present pertinent financial information about the State. Data are for the State's fiscal years that run from July 1 through June 30. Tables 1 through 4 of this section, unless otherwise noted, are based on information contained in the detailed Annual Report or records of the Comptroller. Tables 5 through 11 are based on records of the GOMB. For purposes of Tables 1 through 4 of this section, expenditures are deemed to be recognized when payment warrants are issued.

TABLE 1

REVENUES AND EXPENDITURES[1], GENERAL FUNDS[2]
FISCAL YEARS 2001-2005
($ IN MILLIONS)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Available Balance, Beginning	**1,517**	**1,126**	**256**	**317**	**182**
Receipts					
State Revenues					
Income Tax	9,032	8,274	8,079	8,208	9,151
Sales Tax	5,958	6,051	6,059	6,331	6,595
Public Utility Tax	1,146	1,104	1,006	1,079	1,056
Cigarette Tax	400	400	400	400	450
Inheritance Tax	361	329	237	222	310
Liquor Gallonage Tax	124	122	123	127	147
Insurance Tax & Fees	246	272	313	362	342
Corporate Franchise Tax	146	159	142	163	181
Investment Income	274	135	66	55	73
Intergovernmental Transfers	245	245	355	428	433
Other	441	550	383	516	652
Total, State Revenues	18,373	17,642	17,163	17,891	19,390
Federal Revenues					
Welfare & Social Services[3]	4,320	4,258	3,940	5,189	4,257
Transfers In					
From Other State Funds[4,5]	1,413	1,479	1,983	3,742	2,513
Cash Flow Transfer - Hospital Provider Fund	-	-	-	-	982
Total Revenues	24,106	23,379	23,086	26,823	27,142
Short Term Borrowing	-	-	1,675	-	765
Total Cash Receipts[4]	**24,106**	**23,379**	**24,761**	**26,823**	**27,907**
Cash Disbursements					
Warrants Issued	22,280	22,089	21,959	23,448	22,187
Transfers Out					
Short Term Borrowing[6]	-	-	710	1,417	769
Debt Service Funds[7]	468	557	624	584	852
Other State Funds[4]	1,748	1,603	1,407	1,509	2,806
Cash Flow Transfer - Hospital Provider Fund	-	-	-	-	979
Total Cash Disbursements	**24,497**	**24,248**	**24,701**	**26,957**	**27,593**
Available Balance, Ending	**1,126**	**256**	**317**	**182**	**497**

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

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

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

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

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

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

[7] Fiscal Years 2001 through 2004 reflect debt service on General Obligation Capital Improvement Bonds; Fiscal Year 2005 reflects debt service on General Obligation Capital Improvement and General Obligation Pension Refunding Bonds.

TABLE 1A

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

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

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

TABLE 2

REVENUES AND EXPENDITURES[1], ROAD FUND
FISCAL YEARS 2001-2005
($ IN MILLIONS)

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

[1] Based on information from the Office of the Comptroller
[2] Reflects debt service on General Obligation Bonds

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

Category	Current FY 05	Budget FY 06	$ Change	% Change
Elementary & Secondary Education	**5,809**	**6,133**	324	5.57%
Higher Education	**2,102**	**2,105**	3	100.15%
Public Aid	**6,927**	**7,411**	483	6.97%
Revenue	**133**	**134**	0	0.25%
Human Services	**3,820**	**3,842**	23	0.59%
Corrections	**1,208**	**1,163**	(45)	-3.73%
Children & Family Services	**781**	**810**	29	3.70%
Central Management Services	**115**	**96**	(19)	-16.49%
State Police	**173**	**177**	4	2.29%
Other Agencies	**2,796**	**2,519**	(277)	90.11%
Governor's Savings Initiatives		(45)	(45)	
Governor's Severance Plan		-	-	
Budgeted Appropriations	**23,865**	**24,345**	**494**	**2.07%**
Unspent Appropriations (Salvage)	(1,290)	(490)	800	-62.02%
Net Appropriations (Spending)	**22,575**	**23,855**	**1,297**	**5.75%**

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

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

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

Source: Office of the Comptroller and GMOB

TABLE 5
FY 2003-FY 2006 BUDGET PLANS

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

($'s in millions)

	Fiscal Year 2003 Actual (See Note 1)		Fiscal Year 2004 Actual (See Note 1)		Fiscal Year 2005 Estimated (as of 9/10/05)		Fiscal Year 2006 Budget Plan (Adopted Budget 5/31/05)	
OPERATING RECEIPTS: REVENUES PLUS TRANSFERS IN								
REVENUES								
State Sources [2]	$ 17,079		$ 18,004		$ 19,484		$ 19,732	
Federal Sources	$ 3,940		$ 5,189		$ 4,257		$ 4,791	
TOTAL REVENUES		$ 21,019		$ 23,193		$ 23,741		$ 24,523
STATUTORY TRANSFERS IN								
Statutory Transfers In	$ 1,683		$ 2,257		$ 2,513		$ 2,179	
Pension Obligation Reimbursement Transfers	$ 300		$ 1,395		$ -		$ -	
TOTAL TRANSFERS		$ 1,983		$ 3,652		$ 2,513		$ 2,179
TOTAL OPERATING RECEIPTS		$ 23,002		$ 26,845		$ 26,254		$ 26,702
OPERATING DISBURSEMENTS: EXPENDITURES AND TRANSFERS OUT								
CURRENT YEAR EXPENDITURES								
APPROPRIATIONS (Total Budget)	$ 22,335		$ 23,483		$ 23,865		$ 24,389	
Less: **Governor's Cost Savings Initiatives** (Unspent Appropriations & Transfers)	$ -		$ -		$ -		$ (45)	
Less: **Unspent Appropriations** (Unspent Budget plus Uncashed Checks) [3]	$ (441)		$ (854)		$ (1,290)		$ (490)	
Equals: **CURRENT YEAR EXPENDITURES** (Net Appropriations Spent) [3]		21,894		$ 22,630		$ 22,575		$ 23,854
STATUTORY TRANSFERS OUT								
Legislatively Required Transfers (Diversions to Other Funds)	$ 2,031		$ 2,519		$ 3,163		$ 2,375	
Pay Pension Obligation Bond Debt Service	$ -		$ -		$ 495		$ 431	
Additional Transfer to Rainy Day Fund (Budget Stabilization Fund)	$ -		$ 50		$ -		$ -	
TOTAL TRANSFERS OUT		$ 2,031		$ 2,569		$ 3,658		$ 2,806
TOTAL OPERATING EXPENDITURES AND TRANSFERS OUT		$ 23,925		$ 25,199		$ 26,233		$ 26,660
BUDGET BASIS FINANCIAL RESULTS AND BALANCE								
BUDGET BASIS OPERATING SURPLUS (DEFICIT) [Receipts less Disbursements]		$ (923)		$ 1,646		$ 21		$ 42
OTHER FINANCIAL SOURCES (USES)								
Short-Term Borrowing Proceeds	$ 1,675		$ -		$ 765		$ -	
Repay Short-Term Borrowing (includes interest)	$ (710)		$ (941)		$ (768)		$ -	
TOTAL OTHER FINANCIAL SOURCES (USES)		$ 965		$ (941)		$ (3)		$ -
BUDGET BASIS SURPLUS (DEFICIT) FOR FISCAL YEAR		$ 42		$ 706		$ 18		$ 42
Plus: Budget Basis Fund Balance at Beginning of the Fiscal Year		$ (1,220)		$ (519)		$ 187		$ 205
Prior Period Adjustment to Modified Accrual Revenue Recognition [4]		$ 660		$ -		$ -		$ -
BUDGET BASIS FUND BALANCE (DEFICIT) AT END OF FISCAL YEAR		$ (519)		$ 187		$ 205		$ 247
CASH BASIS FINANCIAL RESULTS								
BUDGET BASIS SURPLUS (DEFICIT) FOR FISCAL YEAR		$ 42		$ 706		$ 18		$ 42
Change in Taxes Receivable (Change in Lapse Period Collections)								
Taxes Receivable at End of Prior Fiscal Year	$ 660		$ 575		$ 597		$ 691	
Less: Taxes Receivable at end of Current Fiscal Year	$ (575)		$ (597)		$ (691)		$ (722)	
Equals: **Increase/(Reduction) in Cash due to change in Taxes Receivable**		$ 84		$ (22)		$ (94)		$ (31)
Change in Accounts Payable (Change in Lapse Period payments)								
Accounts Payable at End of Prior Fiscal Year	$ 1,476		$ 1,411		$ 592		$ 983	
Less: Accounts Payable at End of Current Fiscal Year	$ (1,411)		$ (592)		$ (983)		$ (850)	
Equals: **Increase/(Paydown) of Accounts Payable During Fiscal Year**		$ (65)		$ (819)		$ 391		$ (133)
CASH BASIS SURPLUS (DEFICIT) FOR FISCAL YEAR [5]		$ 61		$ (135)		$ 315		$ (122)
CASH POSITION								
CHANGE IN CASH POSITION FOR FISCAL YEAR		$ 61		$ (135)		$ 315		$ (122)
Plus: **Cash Balance in General Funds at Beginning of Fiscal Year**		$ 256		$ 317		$ 182		$ 497
Equals: **Cash Balance in General Funds at End of Fiscal Year**		$ 317		$ 182		$ 497		$ 375
Plus: **Cash Balance in Budget Stabilization Fund at End of Fiscal Year**		$ 226		$ 276		$ 276		$ 276
Equals: **Total Cash at End of Fiscal Year**		$ 543		$ 458		$ 773		$ 651

1 **FY2003-FY2004 have been restated for comparability purposes to reflect use of the modified accrual basis of revenue recognition as required by PA90-0479, to be implemented by the Office of the Comptroller in the FY2005 CAFR. That revenue recognition method is a generally accepted accounting principle (GAAP) and is also utilized in the State's audited financial statements.**

2 **State Source Revenues include an accrued revenue adjustment to cash receipts as follows: -$84 million in FY2003, +$22 million in FY2004, +$94 million in FY2005 and +$31 million in FY2006. (See footnote #1)**

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

4 **Prior Period Adjustment restates Beginning FY2003 Budget Basis Balance to reflect modified accrual basis of revenue recognition as required by PA90-479 and reflecting the 6-30-02 Taxes Receivable of $660 million. (See footnote #1)**

5 **Cash Basis Surplus (Deficit) is equal to Budget Basis Surplus (Deficit) minus (plus) Other Cash Uses (Sources) relating to changes in Taxes Receivable and Accounts Payable during the fiscal year.**

FISCAL YEAR 2005 OVERVIEW

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

Table 5 presents operating results on a *budget basis* for fiscal years 2003 through 2005 as well as a comparison to the fiscal year 2006 adopted budget. (Also see section below on "Basis of Budgeting".) Table 5 reflects the statutory basis of budgeting including recognition of revenues on a modified accrual basis of accounting, consistent with generally accepted accounting principles (GAAP). The modified accrual basis for governments recognizes as revenues any amounts collected during the first 60 days of the subsequent fiscal year (e.g., 2006) but attributable to taxes, fees and other revenues earned during the prior fiscal year (e.g., 2005). Similarly, statutory budget legislation calls for the recognition of accrued and appropriated expenses and associated liabilities that were incurred in the prior fiscal year, but that were actually paid during the "lapse period" (i.e., 60 days following the June 30th close of that prior fiscal year). The modified accrual basis of accounting is consistent with the fundamental accounting principle of "matching." Matching states that revenues earned and expenditures incurred and appropriated during a given fiscal year are both recorded (or matched) to that year even though the cash collections and cash disbursements related to those transactions occur during a 60 day period in the subsequent fiscal year.

The budget basis provides a more comprehensive view of the financial results since it reflects revenues earned during the prior fiscal year but collected during the lapse period of the subsequent fiscal year. Likewise, the budget basis records as expenditures any liability incurred during a fiscal year and charged to an appropriation of that year, even though the cash payment is made during the lapse period that occurs during the first 60 days of the subsequent fiscal year. The budget basis fund balance of the General Funds for each fiscal year is also shown in Table 5.

The budget basis results will differ from the cash basis results by the amount of increases or decreases in taxes receivable as well as accounts payable (of appropriations) from one fiscal year to the next. Those amounts are shown in Table 5 for each year and are used to reconcile to the cash basis results also shown in that table. Finally, Table 5 incorporates the change in General Funds cash from year to year as well as cash in the Budget Stabilization Fund. The resulting sum represents the Total Cash amount at June 30th of each fiscal year that was used for operating purposes by the State during that year.

FISCAL YEAR 2005 RESULTS

The budget basis operating results for fiscal year 2005 are currently estimated as an operating surplus of approximately $18 million, which compares to surpluses of $42 million and $706 million in fiscal years 2003 and 2004, respectively. The $18 million operating surplus results in an estimated budget basis fund balance for the General Funds of $205 million at the end of fiscal year 2005. Final results will be published within the audited financial statements contained within the Fiscal Year 2005 Comprehensive Annual Financial Report (CAFR) of the State, as prepared by the Office of the Comptroller.

State Source revenues totaled $19,484 million in fiscal year 2005, a $1,481 million or 8.2% increase over fiscal year 2004, as reported in Table 5. That increase was primarily related to the economically sensitive income and sales taxes and corresponded to the economic recovery experienced by the State beginning in the middle of fiscal year 2005. Inheritance taxes also increased significantly due in part to decoupling by the State from the Federal inheritance tax base in fiscal year 2004. Lastly, Other Revenues also increased significantly reflecting increased revenues from gaming taxes and various fees among other sources. Federal Source Revenues fell by $932 million or 18% from fiscal year 2004 amounts which was anticipated in the fiscal year 2005 Operating Budget. However, that decrease reflects the decision in 2004 by the State to take advantage of a higher Medicaid reimbursement rate (i.e., 52.95% versus the normal 50%) that was available to Illinois during fiscal year 2004. The additional spending, and corresponding reimbursement revenues, were both facilitated through a short term borrowing of $850 million in June of 2004. That borrowing was repaid in fiscal year 2005 in conjunction with imposition of a Hospital Assessment Tax during the year. There were also recurring increases in Federal Source Revenues due to successful eligibility claims by the Department of Public Aid (since renamed to the Department of Health and Family Services) and the Department of Human Services, that were not implemented in prior years. Lastly, Statutory Transfers In increased by $256 million or 11.3% over fiscal year 2004 results reflecting increased lottery proceeds as well as transfers from fee-supported funds. In sum, total base resources (revenues plus transfers in) increased by $805 million or 3.2% in 2005, excluding the non-recurring effect of Pension Obligation Bond proceeds transferred in during fiscal year 2004.

Appropriations for fiscal year 2005 increased by $368 million to $23,851 million, or 1.6% over the comparable 2004 amount. However, actual expenditures decreased to $22,575 million, which was approximately $55 million or 0.2% less than in fiscal year 2004. Those expenditures represented increases in education and health care spending that was offset by reduced Medicaid appropriations in 2005 associated with the higher 2004 reimbursement rate and short term borrowing previously described. In essence, Medicaid expenditures that would otherwise have been made in fiscal year 2005 were accelerated into the last month of fiscal year 2004 to take advantage of that higher rate. As a result, the net expenditure change of $55 million was impacted by the decision to make additional Federal reimbursements leading to approximately $850 million in spending being shifted between the two fiscal years. Statutory Transfers Out increased by $1,089 million or 42.4% in fiscal year 2005 reflecting the first year's payment of Pension Obligation Bond debt service totaling $495 million as well as other mandated transfers. In sum, total spending (expenditure plus transfers out) increased by $1,085 million or 4.3% more than in fiscal year 2004.

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

As described in "The Offering - Litigation" above, on March 9, 2005, the Treasurer's Office indicated by letter that it was suspending certain fund transfers to the State's general funds until a judicial determination of the legality of such transfers. The Illinois Comptroller continues to process such transfers pursuant to State law, and the State is vigorously pursuing a resolution of this matter. As of June 30, 2005, approximately $156 million of such transfers have been suspended by the Treasurer's Office although reflected in the General Funds cash balance at that date, as reported by the Office of the Comptroller and reflected in Table 5. One effect of that suspension is that accounts payable amount at the end of fiscal year 2005 is currently estimated to be $983 million, or approximately $125 million more than previously forecasted. The fiscal year 2006 budget plan anticipates reducing the year-end payables to approximately $850 million, consistent with historical levels prior to fiscal year 2002, which was the fiscal year that reflected the impact of the national recession.

FISCAL YEAR 2006 BUDGET

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

Authorized fiscal year 2006 total spending (appropriations plus transfers out) is $26,660 million on a budget basis. This represents an increase of $426 million or 1.6% over the fiscal year 2005 forecast of total spending, which included $859 million for repayment of the June 2004 short term borrowing. Fiscal year 2006 operating appropriations are $24,389 million, an increase of $537 million, or 2.3% over the final fiscal year 2005 appropriations.

The fiscal year 2006 operating budget controls future spending by authorizing structural reforms of the State's major fixed and semi-fixed costs: pension liability, Medicaid liability and group health insurance liability. In particular, the fiscal year 2006 operating budget authorizes a set of proposed pension benefits changes that will reduce the State's required contributions each year over the next 40 years. The independent actuary of the General Assembly's Commission on Government Forecasting and Accountability (CGFA, formerly the Illinois Economic & Fiscal Commission) has estimated the combination of reduced benefits and consequent contributions results in a range of net savings totaling approximately $3 billion over that term. In addition, the Pension Reform legislation proposed by the Governor and adopted by the General Assembly (Public Act 94-4) prohibits any future increase in pension benefits without a new recurring revenue source to fund those enhanced benefits at the time of adoption. The CGFA's independent actuary also estimated that the reduction in the unfunded accrued actuarial liability (UAAL) attributable to the Pension Reform legislation to be approximately $44 billion by 2045, the date at which the system's are to be 90% funded.

As summarized in Table 5, total resources (revenues plus transfers in) on a budget basis are estimated to increase by $447 million over the revised fiscal year 2005 forecast, an increase of 1.6%. State resources (revenues and transfers in) are expected to increase to $21,911 million, an $87 million decrease, or 0.4% decrease over fiscal year 2005 revised forecasts. Those decreases are associated with significant increases in actual 2005 collections, when compared to the 2006 budgeted State resources. The 2006 budgeted amounts were estimated in January 2005, incorporated in the adopted 2006 budget proposed in February, and have not subsequently been updated to reflect the economic growth the State has experienced since that time period. Finally, Federal Source Revenues are expected to increase by $534 million, or 12.5% over fiscal year 2005 revised forecasts, which reflect a net increase in Medicaid program spending, after various proposed Medicaid reforms totaling approximately $360 million.

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

FISCAL YEAR 2006 CAPITAL BUDGET

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

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

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

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

The new fiscal year 2006 capital-spending plan has been designed within limitations identified by rigorous debt affordability analysis. This analysis considers the long-term effect of the capital program on the operating budget by assessing the impact of future debt service requirements on future operating budgets. Revenues projected for fiscal year 06 will support the debt service on GO Bonds issued to fund the proposed new appropriations. These bonds will continue to bear the full faith and credit of the State as well as regular transfers out of the Road Fund to the GOBR&I Fund. Build Illinois Bonds are already supported by a senior lien on the

State's share of Sales Tax. The Bonds are being issued primarily for continued spending of re-appropriations for capital programs of prior years.

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

BUDGET STABILIZATION FUND

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

BASIS OF BUDGETING

Public Act 90-479 requires that the State budget be prepared on the basis of revenue and expenditure measurements that follow modified accrual accounting. Consistent with that Act, the State has historically reflected expenditure accruals in its annual budget, if to be paid within 60 days of the end of the fiscal year, through recognition of lapse period spending. Such Act further requires that revenues due the State in one fiscal year, but actually received in the next fiscal year, shall be accounted for in the year they are due (the modified accrual basis of revenue budgeting, if collected within 60 days of the end of the fiscal year). However, the State's historic revenue recognition practice for budgeting purposes was to utilize the cash basis for revenues representing cash collected during the fiscal year.

As previously noted, the statutory basis of budgeting requires recognition of revenues on a modified accrual basis of accounting. Per Illinois statute, the modified accrual basis for governments recognizes as revenues any amounts collected during the first 60 days of the subsequent fiscal year (e.g., 2006) but attributable to taxes, fees and other revenues earned during the prior fiscal year (e.g., 2005). Similarly, the statute calls for the recognition of accrued expenses and associated liabilities that were incurred and appropriated in the prior fiscal year, but that were actually paid during the "lapse period" (i.e., 60 days following the June 30th close of that prior fiscal year).

GAAP Matching states that revenues earned and expenditure incurred during a given fiscal year are both recorded (or matched) to that year even though the cash collections and cash disbursements related to those transactions occur during a subsequent fiscal year.

As previously noted, Table 5 presents the fiscal year 2006 adopted budget on a budget basis consistent with statutory requirements. Accrued and appropriated expenditures and the associated liabilities are recognized for payments of prior year's appropriations paid during the lapse period. State Source Revenues are also recognized on a modified accrual basis of accounting (i.e., revenues earned by June 30^{th} but collected during the lapse period). This provides for the appropriate matching of revenues and expenditures.

For comparison purposes, Table 5 is presented on a *pro forma* basis for fiscal years previously reported, including 2003 and 2004. That presentation requires a prior period adjustment for the cumulative affect of adopting the modified accrual basis of revenue recognition at the beginning of fiscal year 2003. The cumulative effect of $660 million was based upon the actual taxes receivables due the State as of June 30, 2002. That amount resulted in an increase in the budget basis balance of the General Funds, as previously reported. (Also see footnotes 1, 2 and 4 of Table 5.)

The statutory basis of budgeting provides a more comprehensive view of the budget since it reflects revenues earned during the prior fiscal year but collected during the lapse period of the subsequent fiscal year. Likewise, the budget basis records as expenditures any liability incurred during a fiscal year that is charged to an appropriation of that year, even though the cash payment is made during the lapse period that occurs during the subsequent fiscal year.

BASIS OF ACCOUNTING

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

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

GAAP FINANCIAL REPORT

The complete General Purpose Financial Statements for fiscal year 2004, prepared in accordance with GAAP, have been filed with each NRMSIR and are incorporated herein by reference thereto. Such Statements are also available upon request from the Office of the Comptroller at (217) 782-6000 or from the Comptroller's webpage at www.illinoiscomptroller.com. These statements were prepared by the Comptroller and examined and certified by the State Auditor General. For fiscal year 2004, the Auditor General has expressed an unqualified opinion on the General Purpose Financial Statements.

TABLE 6

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

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

Source: Based on information from the Office of the Comptroller and derived from the State's Annual Report.

Note 1 – Cash/Budget to GAAP Perspective Difference

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

Note 2 – Cash to Budget Adjustments

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

Note 3 – Budget to GAAP Adjustments

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

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

TAX STRUCTURE

General Funds

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

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

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

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

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

All personal income tax collections not deposited into the Refund Fund are deposited into the general funds. During fiscal year 20043, the personal income tax accounted for approximately 30.6 percent of general funds revenues.

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

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

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

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

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

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

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

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

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

Other

Road Fund

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

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

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

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

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

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

Tax Burden

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

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

MONEY PAID TO THE STATE UNDER PROTEST

Money paid to the State under protest is required to be placed by the Treasurer in a special fund known as the Protest Fund. After 30 days from the date of payment into the Protest Fund, the money is to be transferred from the Protest Fund to the appropriate fund in which it would have been deposited had there been no protest. However, the party making the payment under protest may, within that 30-day period, file a complaint and secure a temporary injunction restraining the transfer from the Protest Fund. Under the injunction, the money is to remain in the Protest Fund until a final order or decree of a court determines the proper disposition of the money. As of March 24, 2005, the total Protest Fund balance was $260.7 million.

INDEBTEDNESS

SHORT-TERM DEBT

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

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

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

TABLE 7

SHORT TERM CERTIFICATES ISSUED
(AS OF JUNE 30, 2005)
($ IN MILLIONS)

DATE ISSUED	AMOUNT ISSUED	FINAL MATURITY
March 2005	$765	June 2005
June 2004	850	October 2004
May 2003	1,500	May 2004
July 2002	1,000	June 2003
August 1995	500	June 1996
August 1994	687	June 1995
August 1993	900	June 1994
October 1992	300	June 1993
August 1992	600	May 1993
February 1992	500	October 1992
August 1991	185	June 1991
February 1987	100	February 1988
June-July 1983	200	May 1984

GENERAL OBLIGATION BONDS

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

The following table shows the statutory general obligation bond authorization and all GO Bonds outstanding as of September 12, 2005.

TABLE 8

GENERAL OBLIGATION BONDS
(AS OF SEPTEMBER 12, 2005)

	AMOUNT AUTHORIZED	AMOUNT ISSUED	AUTHORIZED UNISSUED	AMOUNT OUTSTANDING
Anti-Pollution[1]	$ 599,000,000	$ 599,000,000	$ 0	$ 16,960,000
Capital Development[1]	1,737,000,000	1,737,000,000	0	0
Coal and Energy Development[1]	35,000,000	35,000,000	0	0
School Construction[1]	330,000,000	330,000,000	0	0
Transportation Series A[1]	1,326,000,000	1,326,000,000	0	0
Transportation Series B[1]	403,000,000	403,000,000	0	0
Multi-purpose	16,927,149,369	13,683,386,352	3,224,763,017	7,759,928,352
Subtotal – New Money Bonds	$21,357,149,369	$18,113,386,352	$3,224,763,017	$7,776,888,352
Refunding Bonds[2]	2,839,025,000	3,965,574,239	940,346,429	1,898,678,571
Subtotal – New and Refunding	$24,196174,369	$22,078,960,591	$4,165,109,446	$9,675,566,923
Pension Refunding	10,000,000,000	10,000,000,000	0	10,000,000,000
Total – Capital and Pension	$34,196174,369	$32,078,960,591	$4,165,109,446	$19,675,566,923

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

Pursuant to the Bond Act, amounts in the Anti-Pollution bond retirement and interest fund were transferred to and consolidated in the GOBR&I Fund. The GOBR&I 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 September 8, 2005 a total of $525.0 million was available in the GOBR&I 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 $525.0 million.

Interest Rate Exchange Agreements

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

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

Historical Borrowing

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

TABLE 9

GENERAL OBLIGATION BOND SALES
($ IN MILLIONS)

FISCAL YEAR	CAPITAL IMPROVEMENT	PENSION FUNDING
2002	1,500	-
2003	1,650	10,000
2004	1,175	-
2005	875	-
2006[1]	300	-

[1] Includes the Bonds

Indebtedness in Prior Years

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

TABLE 10

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

END OF FISCAL YEAR	CAPITAL IMPROVEMENT	PENSION FUNDING[1]
2002	7,629.9	-
2003	8,812.6	10,000.0
2004	9,556.3	10,000.0
2005	9,893.0	10,000.0
2006[2]	9,327.0	10,000.0

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

Debt Service Payments

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

Not including expected debt service on the Bonds, the following table shows debt service payments on GO Bonds from fiscal year 2002 through 2006 and the funds from which the transfers originate.

TABLE 11

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

	FY 02	FY 03	FY 04	FY 05	FY 06[3]
Road Fund	195.7	215.0	192.7	237.5	257.4
School Infrastructure Fund	73.2	127.5	155.2	196.7	224.0
General Funds	582.6	628.9	583.4	664.5	665.8
General Funds-Pension[2]	-	-	481.0	496.2	496.2

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

Measures of Debt Burden

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

TABLE 12

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

FISCAL YEAR	TOTAL EXPENDITURES[1] ($ IN MILLIONS)	CAPITAL IMPROVEMENT % OF EXPENDITURES	PENSION BONDS % OF EXPENDITURES
2001	25,975	3.04	-
2002	27,022	3.15	-
2003	26,560	3.67	-
2004	26,915	3.46	1.84
2005	26,804	4.10	1.85

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

TABLE 13

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

FISCAL YEAR	ILLINOIS PERSONAL INCOME[1] ($ IN BILLIONS)	CAPITAL IMPROVEMENT % OF PERSONAL INCOME	PENSION BONDS % OF PERSONAL INCOME
2001	404.6	1.63	-
2002	412.9	1.85	-
2003	429.4	2.05	-
2004[2]	438.0	2.18	2.28
2005[2]	446.7	2.21	2.24

1 U.S. Department of Commerce, Bureau of Economic Analysis.

2 GOMB estimate, including a 2% growth in Illinois personal income for Fiscal Year 2004 and Fiscal Year 2005

TABLE 14

GENERAL OBLIGATION DEBT PER CAPITA FISCAL YEARS 2001-2005

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

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

TABLE 15

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

	2000	2001	2002	2003[1]	2004[1]
Equalized Assessed Value	$204,178	$220,330	$240,810	$251,164	$261,964
Capital Improvement Bonds	$5,886	$6,600	$7,630	$8,813	$9,556
Pension Bonds Outstanding	--	--	--	$10,000	$10,000
Capital Improvement Bonds percent of EAV	2.88	3.00	3.17	3.51	3.65
Pension Bonds percent of EAV				3.98	3.82

Source: Illinois Department of Revenue
[1] Illinois Department of Revenue estimate

TABLE 16
MATURITY SCHEDULE—GENERAL OBLIGATION BONDS
AS OF JUNE 30, 2005

	General Obligation Capital Improvement Bonds						General Obligation Pension Bonds			Total
Fiscal Year June 30	Anti-Polution	Multiple Purpose	Refunding	Total Principal	Total Interest	Total Debt Service	Total Principal	Total Interest	Total Debt Service	Combined Total Debt Service
2006	6,160,000	432,376,803	126,913,084	565,449,887	581,738,027	1,147,187,914	-	496,200,000	496,200,000	1,643,387,914
2007	4,960,000	393,554,579	133,283,057	531,797,635	566,969,506	1,098,767,141	-	496,200,000	496,200,000	1,594,967,141
2008	4,560,000	383,074,415	140,405,980	528,040,394	553,695,634	1,081,736,029	50,000,000	496,200,000	546,200,000	1,627,936,029
2009	2,360,000	366,575,376	137,685,768	506,621,143	542,624,374	1,049,245,518	50,000,000	494,950,000	544,950,000	1,594,195,518
2010	800,000	382,339,814	143,194,938	526,334,753	485,430,837	1,011,765,590	50,000,000	493,550,000	543,550,000	1,555,315,590
2011	-	334,741,202	168,948,829	503,690,031	471,206,287	974,896,318	50,000,000	491,900,000	541,900,000	1,516,796,318
2012	-	316,098,439	150,005,000	466,103,439	423,217,735	889,321,174	100,000,000	490,125,000	590,125,000	1,479,446,174
2013	-	235,930,751	234,750,000	470,680,751	384,668,955	855,349,706	100,000,000	486,375,000	586,375,000	1,441,724,706
2014	-	237,889,607	234,640,000	472,529,607	340,781,584	813,311,191	100,000,000	482,525,000	582,525,000	1,395,836,191
2015	-	366,535,720	126,795,000	493,330,720	292,271,421	785,602,141	100,000,000	478,575,000	578,575,000	1,364,177,141
2016	-	395,671,341	86,835,000	482,506,341	269,279,759	751,786,100	100,000,000	474,525,000	574,525,000	1,326,311,100
2017	-	390,876,341	62,740,000	453,616,341	239,788,315	693,404,656	125,000,000	470,175,000	595,175,000	1,288,579,656
2018	-	377,607,806	52,795,000	430,402,806	205,842,728	636,245,534	150,000,000	464,737,500	614,737,500	1,250,983,034
2019	-	358,102,317	40,730,000	398,832,317	181,295,658	580,127,975	175,000,000	458,212,500	633,212,500	1,213,340,475
2020	-	343,251,629	29,780,000	373,031,629	164,006,158	537,037,788	225,000,000	449,550,000	674,550,000	1,211,587,788
2021	-	318,645,883	38,245,000	356,890,883	138,759,005	495,649,888	275,000,000	438,412,500	713,412,500	1,209,062,388
2022	-	338,357,410	7,670,000	346,027,410	111,599,040	457,626,450	325,000,000	424,800,000	749,800,000	1,207,426,450
2023	-	322,092,922	-	322,092,922	99,534,865	421,627,788	375,000,000	408,712,500	783,712,500	1,205,340,288
2024	-	286,253,968	-	286,253,968	77,607,595	363,861,563	450,000,000	390,150,000	840,150,000	1,204,011,563
2025	-	244,988,835	-	244,988,835	66,075,040	311,063,875	525,000,000	367,200,000	892,200,000	1,203,263,875
2026	-	235,630,000	-	235,630,000	51,227,875	286,857,875	575,000,000	340,425,000	915,425,000	1,202,282,875
2027	-	224,545,000	-	224,545,000	39,534,000	264,079,000	625,000,000	311,100,000	936,100,000	1,200,179,000
2028	-	190,205,000	-	190,205,000	28,639,625	218,844,625	700,000,000	279,225,000	979,225,000	1,198,069,625
2029	-	158,970,000	-	158,970,000	19,737,500	178,707,500	775,000,000	243,525,000	1,018,525,000	1,197,232,500
2030	-	103,860,000	-	103,860,000	13,724,000	117,584,000	875,000,000	204,000,000	1,079,000,000	1,196,584,000
2031	-	59,815,000	-	59,815,000	9,625,500	69,440,500	975,000,000	159,375,000	1,134,375,000	1,203,815,500
2032	-	37,335,000	-	37,335,000	7,378,125	44,713,125	1,050,000,000	109,650,000	1,159,650,000	1,204,363,125
2033	-	42,625,000	-	42,625,000	5,486,875	48,111,875	1,100,000,000	56,100,000	1,156,100,000	1,204,211,875
2034	-	80,795,000	-	80,795,000	2,662,625	83,457,625	-	-	-	83,457,625
Total	18,840,000	7,958,745,156	1,915,416,655	9,893,001,811	6,374,408,650	16,267,410,461	10,000,000,000	10,956,475,000	20,956,475,000	37,223,885,461
General Obligation Debt Service payments in progress for Fiscal Year 2006:										
09/12/05	1,880,000	198,816,803	16,738,084	217,434,887	219,109,481	436,544,368	-	-	-	436,544,368
06/30/06	4,280,000	233,560,000	110,175,000	348,015,000	362,628,546	710,643,546	-	496,200,000	496,200,000	1,206,843,546
FY 2006	6,160,000	432,376,803	126,913,084	565,449,887	581,738,027	1,147,187,914	-	496,200,000	496,200,000	1,643,387,914

REVENUE BONDS

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

TABLE 17

REVENUE BONDS
(AS OF JUNE 30, 2005)

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

Note: Column may not add due to rounding.

Build Illinois

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

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

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

Metropolitan Exposition and Auditorium Authorities—Civic Center Program

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

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

Metropolitan Pier and Exposition Authority—Dedicated State Tax Revenue Bonds

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

Metropolitan Pier and Exposition Authority—Expansion Project Bonds

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

Illinois Sports Facilities Authority

The Illinois Sports Facilities Authority (*"ISFA"*) was created in 1987, with authorization to finance construction of a professional sports stadium within the City of Chicago. Pursuant to legislation effective June 1, 2001, ISFA was authorized to finance reconstruction of a stadium for the Chicago Bears and related lakefront improvements in Chicago (the *"Soldier Field Project"*).

Debt issued by ISFA is an obligation of ISFA and is not backed by the full faith and credit of the State. In 1989, ISFA issued $150 million of revenue bonds to finance construction of a new Comiskey Park stadium (the *"1989 ISFA Bonds"*), now known as U.S. Cellular Field, and such bonds were refunded in 1999 from the issuance by ISFA of revenue bonds (the *"1999 ISFA Bonds"*).

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

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

Certificates of Participation

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

Other Obligations

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

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

TABLE 18
MATURITY SCHEDULE--REVENUE BONDS
(As of June 30, 2005)

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

Note: Columns may not add due to rounding.

MORAL OBLIGATION BONDS

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

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

TABLE 19

MORAL OBLIGATION BOND AUTHORITIES' DEBT[1]
(As of June 30, 2005)
($ in millions)

	MORAL OBLIGATION BONDS OUTSTANDING
Illinois Housing Development Authority	$111.9
Southwestern Illinois Development Authority	59.6
Quad Cities Regional Economic Development Authority	0.0
Upper Illinois River Valley Development Authority	23.9
Tri-County River Valley Development Authority	0.0
Will-Kankakee Regional Development Authority	0.0
Western Illinois Economic Development Authority	0.0
Illinois Finance Authority[2]	55.3
Total	250.7

[1]The amounts listed include only those bonds issued under the moral obligation pledge.

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

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

PENSION SYSTEMS

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

Pursuant to the Illinois Pension Code, as amended (the "*Pension Code*"), the State and active employee members of the systems are responsible for funding employer contributions of the Retirement Systems. As of June 30, 2004 (the most recently completed fiscal year for, which information is available), the Retirement Systems had an aggregate membership of 310,735 active members, 171,083 inactive members entitled to benefits and 171,220 retired members and beneficiaries. As of June 30, 2004, based upon the most recent available actuarial valuation of the Retirement Systems, the actuarially determined accrued liabilities of the Retirement Systems were approximately $89.8 billion, the fair market value of their assets was approximately $54.7 billion, and the aggregate unfunded accrued actuarial liability ("*UAAL*") with respect to the Retirement Systems was approximately $35.1 billion, representing a funded ratio of 60.9%.

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

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

TABLE 20
RETIREMENT SYSTEMS' PENSION FUND STATISTICS
(AS OF JUNE 30, 2004)

	Participants				($ in millions)		
Retirement System	**Active**	**Inactive/Entitled to Benefits**	**Retirees and Beneficiaries**	**Total**	**Assets**[1]	**Liabilities**[2]	**UAAL**
TRS	157,785	81,425	77,165	316,375	$ 31,544.7	$ 50,947.4	$ 19,402.7
SURS	81,242	66,727	38,487	186,456	12,586.3	19,078.6	6,492.3
SERS	70,621	22,797	54,298	147,716	9,990.1	18,442.7	8,452.6
JRS	906	35	873	1,814	534.6	1,156.1	621.5
GARS	181	99	397	677	83.2	207.6	124.4
TOTAL FY 2004	**310,735**	**171,083**	**171,220**	**653,038**	**$54,738.9**	**$89,832.4**	**$35,093.5**

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

STATE LAW REQUIREMENTS FOR RETIREMENT SYSTEMS FUNDING

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

PUBLIC ACT 94-4

Public Act 94-4, effective June 1, 2005 (the "Act"), made certain reductions to plan benefit provisions and consequent funding requirements. The Act prohibits all new benefit increases unless there is a specifically identified adequate additional funding source upon adoption of the benefit. The Act also provides that all benefit increases expire five years after their effective date, unless extended by action of the General Assembly. The independent actuary of the CGFA has estimated that the combination of reduced benefits and funding requirements will result in a range of net savings totaling approximately $3 billion over the next 40 years.

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

The Act provided an Early Retirement Option (ERO) for TRS to replace the ERO that expired June 30, 2005. In comparison to the expiring ERO, the new ERO significantly increased required member and school district contributions and increased the service requirement for unreduced benefits from 34 to 35 years. The Act also required local employers to pay the normal cost related to sick leave granted in excess of the normal allotment. The Act also specified the actual contributions to be made to each system for each of the two years. The Act calls for a fiscal year 2006 contribution of $935.5 million and for a fiscal year 2007 contribution of $1,372.7 million.

ISSUANCE OF GO PENSION FUNDING BONDS AND ALLOCATION OF PROCEEDS

In April 2003, pursuant to the Bond Act, the State was authorized to issue and sell the GO Pension Funding Bonds, for the purpose of making contributions to, and funding the UAAL of, the Retirement Systems. Pursuant to the Bond Act, the State was required to deposit into the Pension Contribution Fund (the "*Pension Contribution Fund*"), a newly created fund held in the State Treasury, the proceeds from the sale of the GO Pension Funding Bonds less an aggregate amount of proceeds representing up to 12 months' capitalized interest on the GO Pension Funding Bonds and the aggregate amount of proceeds used to pay expenses of the offering of the GO Pension Funding Bonds. Out of the initial net proceeds of GO Pension Funding Bonds deposited into the Pension Contribution Fund, the State was obligated to reserve for transfer to its General Revenue Fund $300 million, representing a portion of the required State contributions to the Retirement Systems for the last quarter of the State's fiscal year 2003, plus the sum of $1.86 billion, representing the required State contributions to the Retirement Systems for the State's fiscal year 2004 (collectively, the "*Reimbursement Amounts*"). Upon the deposit of such $300 million in the Pension Contribution Fund, the State immediately transferred such moneys to its General Revenue Fund. Whenever any payments of State contributions for fiscal year 2004 were made to any Retirement System, the State transferred from the Pension Contribution Fund to its General Revenue Fund an amount equal to the amount of that payment. This Act was later amended to have all of the Pension Contribution Fund transferred directly to the Retirement Systems in its entirety.

The Bond Act further mandates that all net proceeds of GO Pension Funding Bonds deposited into the Pension Contribution Fund, other than the Reimbursement Amounts described above, be transferred by the State to the Retirement Systems to reduce the UAAL. The amount of the transfer to each Retirement System constituted a portion of the total transfer amount that is the same as such Retirement System's portion of the UAAL of the Retirement Systems as a whole, as most recently determined by the GOMB. The GOMB was required under the Bond Act to complete the allocations among the Retirement Systems as described in the preceding sentence and notify each such Retirement System and the Comptroller within 15 days after net proceeds of GO Pension Funding Bonds in excess of the Reimbursement Amounts have been deposited into the Pension Contribution Fund. Each Retirement System then submitted a voucher to the Comptroller for its allocation and such allocated amount was paid from the Pension Contribution Fund in fiscal year 2004. The total amount paid to the Retirement Systems was $7.3 billion.

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

FUTURE STATE CONTRIBUTIONS TO RETIREMENT SYSTEMS

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

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

FUNDING FOR RETIREMENT SYSTEMS

One measure of the fiscal condition of retirement systems, the degree of funding or the funding ratio is the ratio of net assets to total liabilities. Table 21 summarizes the degree of funding for the Retirement Systems from fiscal year 2000 through fiscal year 2004.

TABLE 21

PENSION SYSTEMS
DEGREE OF FUNDING
FISCAL YEARS 2000-2004
($ IN MILLIONS)

Fiscal Year	Total Assets[1]	Liabilities[2]	Ratio (%)
2000	$45,949.7	$61,518.9	74.7%
2001	42,789.3	67,768.9	63.1
2002	40,252.6	75,198.2	53.5
2003	40,721.2	83,825.2	48.6
2004	54,738.9	89,832.4	60.9

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

2 Actuarially determined accrued cost of projected benefits.

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

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

Financial Data for Retirement Systems

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

Table 22

State Retirement Systems
Fiscal Year 2004
($ in Thousands)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities [1]
Begin, Net Asset Balances [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	
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	
Asset/Liability Ratio	54.2%	61.9%	66.0%	40.1%	46.2%	60.9%	

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

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

[3] Actuarially determined accrued benefit costs.

Note: Numbers may not add due to rounding.

TABLE 23

STATE RETIREMENT SYSTEMS
Fiscal Year 2003
($ in Thousands)

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

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

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

(3) Actuarially determined accrued benefit costs.

Note: Numbers may not add due to rounding.

TABLE 24

STATE RETIREMENT SYSTEMS
Fiscal Year 2002
($ in Thousands)

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

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

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

(3) Actuarially determined accrued benefit costs.

Note: Numbers may not add due to rounding.

TABLE 25

STATE RETIREMENT SYSTEMS
Fiscal Year 2001
($ in Thousands)

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

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

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

(3) Actuarially determined accrued benefit costs.

Note: Numbers may not add due to rounding.

TABLE 26

STATE RETIREMENT SYSTEMS
Fiscal Year 2000
($ in Thousands)

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

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

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

(3) Actuarially determined accrued benefit costs.

Note: Numbers may not add due to rounding.

TABLE 27

STATE RETIREMENT SYSTEMS
Fiscal Year 1999
($ in Thousands)

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

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

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

(3) Actuarially determined accrued benefit costs.

Note: Numbers may not add due to rounding.

FINANCIAL ADVISOR

Scott Balice Strategies, LLC, is acting as financial advisor (the *"Financial Advisor"*) to the State in connection with the offering of the Bonds. The Financial Advisor has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Bonds.

ADDITIONAL INFORMATION

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

MISCELLANEOUS

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

The State has authorized the distribution of this Official Statement.

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APPENDIX A

CERTAIN INFORMATION REGARDING THE STATE OF ILLINOIS

ECONOMIC DATA

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

TABLE A-1

PAYROLL JOBS BY INDUSTRY
(Thousands)

Industry	**Illinois**	**% Total**	**US**	**% Total**
Natural resources and Mining	9	0.2%	629	0.5%
Construction	269	4.6%	7,235	5.9%
Information and Financial Activities	522	8.9%		0.0%
Manufacturing	692	11.8%	14,276	11.7%
Trade, Transportation and Utilities	1,187	20.2%	25,916	21.2%
Professional and Business Services	828	14.1%	16,941	13.8%
Education and Health Services	734	12.5%	17,353	14.2%
Leisure and Hospitality	522	8.9%	12,793	10.5%
Other	260	4.4%	5,484	4.5%
Government	839	14.3%	21,782	17.8%
	5,862	100.0%	**122,409**	100%

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

Note: Columns may not add due to rounding.

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

TABLE A-2

NON-AGRICULTURAL PAYROLL JOBS BY INDUSTRY
(THOUSANDS)

	2002	2003	2004	*2005
Total Non-Agricultural Employment	5,895	5,813	5,850	5,886
Natural Resources and Mining	10	10	10	9
Construction	276	277	283	286
Manufacturing	756	720	699	692
Non-Durable Goods	298	287	276	272
Durable Goods	458	433	423	419
Trade, Transportation and Utilities	1,197	1,184	1,201	1,184
Wholesale Trade	306	306	300	302
Retail Trade	633	622	641	622
Transportation and Utilities	258	256	260	259
Information and Financial Activities	549	537	519	523
Professional and Business Services	786	766	797	834
Educational and Health Services	711	715	734	730
Leisure and Hospitality	494	497	509	544
Other Services	255	250	257	266
Government	861	857	841	819

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

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

AGRICULTURE

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

TABLE A-3

ILLINOIS CASH RECEIPTS FROM CROPS AND LIVESTOCK ($ IN MILLIONS)

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

Source: U.S. Department of Agriculture-Economic Research Service.
Columns may not add due to rounding.

TABLE A-4

AGRICULTURAL EXPORTS, FEDERAL FISCAL YEAR 2004 ($ IN MILLIONS)

AGRICULTURAL EXPORTS	U.S. TOTAL	ILLINOIS SHARE	PERCENT OF U.S.	RANK AMONG STATES
All Commodities	62,297	3,654	0	3
Feed Grain and Products	8,104	1,340	0	2
Soybeans and Products	9,035	1,398	0	1

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

FINANCIAL INSTITUTIONS

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

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

CONTRACT CONSTRUCTION

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

TABLE A-5

CONTRACTS FOR FUTURE CONSTRUCTION AND RESIDENTIAL BUILDING ACTIVITY

Year	RESIDENTIAL, NON-RESIDENTIAL AND NON-BUILDING CONTRACTS FOR FUTURE CONSTRUCTION(2) ($ in Millions)	RESIDENTIAL BUILDING ACTIVITY (PRIVATELY OWNED HOUSING UNITS)(1) Permits	Valuation ($ in Millions)
1994	12,008	49,290	5,012
1995	11,726	47,467	4,844
1996	12,667	49,592	5,199
1997	12,703	46,323	5,087
1998	15,000	47,984	5,618
1999	16,450	53,974	6,538
2000	16,945	51,944	6,528
2001	19,393	54,839	7,141
2002	20,653	60,971	8,546
2003	19,033	61,296	9,106
2004	20,862	60,110	9,488
Average	16,131	53,072	6,646

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

PERSONAL INCOME

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

TABLE A-6

PERSONAL INCOME – 2004
($ IN BILLIONS)

	1990	2000	2001	2002	2003	2004
Illinois	238.5	400.4	410.3	416	431.7	450.6
United States	4,861.90	8,422.10	8,703.00	8,900.00	9,380.50	10,021.80

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

TABLE A-7

PER CAPITA PERSONAL INCOME

	1980	1990	2000	2001	2002	2003	2004	Rank
Illinois	$11,005	$20,824	$32,187	$32,782	$33,053	$ 33,205	$ 34,351	14
United States	10,114	19,477	29,847	30,527	30,906	31,459	32,937	--
Ten Most Populous States:								
California	$ 11,707	$ 24,572	$ 38,372	$ 39,077	$ 39,461	$ 33,403	$ 35,019	3
Texas	11,015	23,523	34,900	35,626	35,805	29,076	30,222	9
New York	11,951	21,638	32,466	32,892	32,989	36,296	38,228	2
Florida	$11,005	$20,824	$32,187	$32,782	$33,053	29,972	31,455	7
Illinois	**10,085**	**19,687**	**29,697**	**30,318**	**31,116**	**33,205**	**34,351**	**4**
Pennsylvania	10,314	18,922	29,553	29,499	29,816	31,706	33,348	5
Ohio	9,933	19,564	28,511	29,247	29,758	29,953	31,322	8
Michigan	10,046	18,743	28,208	28,627	29,195	31,196	31,954	6
Georgia	8,420	17,603	27,989	28,555	28,821	29,259	30,051	10
New Jersey	9,880	17,421	28,313	28,943	29,039	40,002	41,332	1
Great Lakes States:								
Illinois	**$11,005**	**$20,824**	**$32,187**	**$32,782**	**$33,053**	**33,205**	**34,351**	**1**
Michigan	10,314	18,922	29,553	29,499	29,816	31,196	31,954	3
Wisconsin	10,107	18,072	28,573	29,361	30,050	30,723	32,157	2
Ohio	10,046	18,743	28,208	28,627	29,195	29,953	31,322	4
Indiana	9,374	17,491	27,134	27,619	28,032	28,797	30,094	5
Average	*10,169*	*18,810*	*29,131*	*29,578*	*30,029*	*30,775*	*31,976*	

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

TABLE A-8

	Number of Unemployed					
	2000	**2001**	**2002**	**2003**	**2004**	***2005**
United States	5,634,000	8,281,000	8,691,000	8,399,000	8,047,000	7,497,000
Illinois	294,494	351,095	417,360	427,347	395,645	387,581
Bloomington-Normal MSA	2,245	2,142	2,522	2,663	3,273	3,581
Champaign-Urbana MSA	2,868	3,242	3,893	4,095	4,205	4,918
Chicago PMSA	207,489	260,733	317,890	317,930	288,838	316,197
Davenport-Moline-Rock Island MSA, IL portion	8,582	8,873	10,217	10,647	10,505	9,535
Decatur MSA	2,966	3,486	4,570	4,183	3,775	3,424
Kankakee MSA	2,487	2,898	3,718	4,072	4,341	3,208
Peoria-Pekin MSA	7,545	11,000	10,209	10,670	9,870	9,188
Rockford MSA	8,106	11,024	13,398	14,742	12,605	10,352
Springfield MSA	3,762	4,028	4,892	5,570	5,779	5,287
St. Louis MSA, IL portion	16,113	17,713	19,660	21,154	21,888	20,397

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

* Data through June 2005
Source: U.S. Department of Labor, Bureau of Labor Statistics.
According to the Illinois Department of Employment Security, the aggregate unemployment rate for the State of Illinois as of August 2005 is 5.8%.

POPULATION

Illinois is the nation's fifth most populous state.

TABLE A-9

POPULATION: ILLINOIS AND SELECTED

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

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

METROPOLITAN STATISTICAL AREAS

TABLE A-10

ILLINOIS POPULATION BY AGE GROUP
(Thousands)

	1990	2000
Under 5 years	848	877
5-14 years	1,633	1,835
15-24 years	1,678	1,745
25-34 years	1,993	1,812
35-44 years	1,700	1,984
45-54 years	1,167	1,627
55-64 years	975	1,041
65 years and over	1,437	1,500
Total	11,431	12,419

Source: U.S. Bureau of the Census

Note: Columns may not add due to rounding

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APPENDIX B-1

PROPOSED FORM OF OPINION OF BOND COUNSEL FOR THE BONDS

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED CLOSING DATE]

We hereby certify that we have examined a certified copy of the proceedings of the Governor of the State of Illinois (the *"State"*) and the Director of the Governor's Office of Management and Budget of the State authorizing the issue by the State of its fully registered $300,000,000 General Obligation Bonds, Series of September 2005 (the *"Bonds"*), dated the date hereof. The Bonds mature on September 1 of each of the years, in the amounts and bear interest as follows:

YEAR OF MATURITY	PRINCIPAL AMOUNT	RATE OF INTEREST	YEAR OF MATURITY	PRINCIPAL AMOUNT	RATE OF INTEREST
2006	$12,000,000	%	2019	12,000,000	%
2007	12,000,000	%	2020	12,000,000	%
2008	12,000,000	%	2021	12,000,000	%
2009	12,000,000	%	2022	12,000,000	%
2010	12,000,000	%	2023	12,000,000	%
2011	12,000,000	%	2024	12,000,000	%
2012	12,000,000	%	2025	12,000,000	%
2013	12,000,000	%	2026	12,000,000	%
2014	12,000,000	%	2027	12,000,000	%
2015	12,000,000	%	2028	12,000,000	%
2016	12,000,000	%	2029	12,000,000	%
2017	12,000,000	%	2030	12,000,000	%
2018	12,000,000	%			

the Bonds being subject to optional and mandatory redemption as follows: (i) Bonds maturing on and after September 1, 2016, being callable for redemption 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), on September 1, 2015, and on any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption; and (ii) Bonds maturing on September 1, 20__, being subject to mandatory redemption by lot as provided in such proceedings on September 1 of the years and in the amounts as follows:

YEAR OF MANDATORY REDEMPTION	PRINCIPAL AMOUNT TO BE REDEEMED
	$
(maturity)	

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

We further certify that we have examined form of Bond prescribed for said issue and find the same in due form of law, and in our opinion said issue, to the amount named, is valid and legally binding upon the State, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion, and constitutes a direct, general obligation of the State, for the prompt payment of which, both principal and interest as the same become due, the full faith and credit of the State have been validly pledged.

It is our opinion that, subject to the State's compliance with certain covenants, under present law, interest on the Bonds is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such State covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the State with respect to certain material facts solely within the State's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given 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.

APPENDIX C

GLOBAL BOOK-ENTRY SYSTEM

The Depository Trust Company (*"DTC"*), New York, New York, will act as securities depository for 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 maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants (*"Direct Participants"*) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (*"DTCC"*). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (*"Indirect Participants"*). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 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 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 the 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 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.

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

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

Principal and interest payments (including redemption proceeds) 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 Treasurer of the State, as bond registrar and paying agent for the Bonds (*"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 principal and interest (including redemption proceeds) to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Bond Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State or the Bond Registrar. Under such circumstances, in the event that a successor securities 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

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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 in this Appendix D are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the GOMB.

ANNUAL FINANCIAL INFORMATION DISCLOSURE

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

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

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

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

MATERIAL EVENTS DISCLOSURE

The State covenants that it will disseminate to each NRMSIR or to the MSRB and to the SID, if any, 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 1934 Act. 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;
- rating changes.

CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION

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

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

AMENDMENT; WAIVER

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

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

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

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

TERMINATION OF UNDERTAKING

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

ADDITIONAL INFORMATION

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

DISSEMINATION AGENT

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

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