OFFICIAL STATEMENT ADDENDUM DATED SEPTEMBER 17, 2007

$1,200,000,000
STATE OF ILLINOIS
GENERAL OBLIGATION CERTIFICATES OF SEPTEMBER, 2007

Dated: Date of Delivery — Due: As shown below

The purpose of this Official Statement Addendum is to set forth the details of sale of the $1,200,000,000 General Obligation Certificates of September, 2007 (the "*Certificates*"), sold by the State of Illinois (the "*State*") on September 17, 2007. The Certificates will mature on the date, in the amount and bearing interest (computed on the basis of a 360-day year of twelve 30-day months) as follows:

MATURITY DATE	PRINCIPAL	RATE	REOFFERING YIELD	REOFFERING PRICE	CUSIP
November 9, 2007	$1,200,000,000	4.250%	3.700%	100.066	452151 X24

The Preliminary Official Statement of the State, dated September 7, 2007, relating to the Certificates, which was deemed final by the State (the "*Deemed Final Official Statement*"), is incorporated herein and made a part hereof. The Final Official Statement of the State relating to the Certificates (as that term is defined in Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Act of 1934, as amended) shall consist of the Deemed Final Official Statement and this Addendum. Reference is made to the Deemed Final Official Statement for a description of all terms and provisions of the Certificates not described herein and for the definition of all capitalized terms not defined herein. The Certificates are expected to be delivered on or about September 25, 2007.

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

USE OF CERTIFICATE PROCEEDS

The Certificate proceeds will be deposited in the following State funds for the purposes described in the Deemed Final Official Statement and in the amounts as follows.

FUND	AMOUNT
Deposit to Hospital Provider Fund	$1,200,000,000.00
Deposit to the General Obligation Bond Redemption and Interest Fund, equal to the amount of net premium.	$552,000.00
Total use of Certificate Proceeds	$1,200,552,000.00

RATINGS

Moody's Investors Service has assigned a short-term rating of "MIG-1" to the Certificates. Standard & Poor's, a division of The McGraw-Hill Companies Inc. has assigned a short-term rating of "SP-1+" to the Certificates. Any explanations of the significance of such ratings may be obtained only from the respective rating agency. The ratings on the Certificates were applied for by the State, and certain information and materials, some of which are not contained in the Final Official Statement, were supplied to such rating agencies. The ratings are not a recommendation to buy, sell or hold the Certificates and the ratings and the Certificates should be evaluated independently. The ratings are subject to change or withdrawal at any time and any such change or withdrawal may affect the market price or marketability of the Certificates. The State and the Underwriter have undertaken no responsibility either to bring to the attention of the beneficial owners of the Certificates any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal, but as described in the Deemed Final Official Statement under the heading "THE OFFERING--CONTINUING DISCLOSURE," the State has undertaken to give certain notices of any change in any rating that relates to the Certificates or the State that could affect the value of the Certificates.

FORM OF APPROVING LEGAL OPINION

The form of the approving opinion of Peck, Shaffer & Williams LLP, Chicago, Illinois, as Bond Counsel, is contained in *Appendix A* hereto.

UNDERWRITING

The Certificates have been purchased by Morgan Stanley & Co. Incorporated as the Successful Purchaser (the "*Underwriter*"), at a purchase price of $1,200,552,000.00 which includes provision for the payment of issuance expenses in the total amount of $187,000.00 to be paid by the Underwriter on behalf and at the direction of the State. The Underwriter may offer and sell the Certificates to certain dealers (including dealers depositing the Certificates into investment trusts) and others at prices lower than the public offering prices set forth in the table above. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

AUTHORIZATION

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

/s/ Ginger Ostro

Director, Governor's Office of Management and Budget

Dated: September 17, 2007

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APPENDIX A

FORM OF OPINION OF BOND COUNSEL

September __, 2007

State of Illinois
State Capitol
Springfield, Illinois

Re: $1,200,000,000 State of Illinois General Obligation Certificates of September, 2007

Ladies and Gentlemen:

We hereby certify that we have examined a certified copy of the proceedings of the Governor of the State of Illinois (the "State"), the Comptroller of the State and the Treasurer of the State authorizing the issue by the State of its fully registered $1,200,000,000 aggregate principal amount General Obligation Certificates of September, 2007 (the "*Certificates*"). The Certificates are authorized and issued pursuant to Section 9(c) of Article IX of the Constitution of the State and the Short Term Borrowing Act, as amended (the "*Act*"), of the State. The Certificates are dated the date hereof, and mature on the date and are issued in the aggregate principal amounts set forth below:

Issuance	Maturity	Amount	Interest Rate
September 25, 2007	November 9, 2007	$1,200,000,000	4.250%

The Certificates are not subject to redemption prior to maturity.

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

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

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

Subject to the condition that the State comply with certain covenants made to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the *"Code"*), under present law, interest on the Certificates 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. Such interest is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the State to comply with such covenants could cause the interest on the Certificates to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Certificates. Ownership of the Certificates may result in other federal income tax consequences to taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates. In rendering this option, we have relied upon certificates of the State with respect to certain material facts solely within the State's knowledge relating to the cash flow projections for the various funds of the State, expenditures to be financed with the proceeds of the Certificates and the application of the proceeds of the Certificates.

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

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.

PRELIMINARY OFFICIAL STATEMENT

STATE OF ILLINOIS

$1,200,000,000
GENERAL OBLIGATION CERTIFICATES
OF SEPTEMBER, 2007

DATE OF SALE: SEPTEMBER 17, 2007

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

Preliminary Official Statement Printed: September 7, 2007

Expected Date of Issuance (Delivery): September 25, 2007

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PREFACE

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

CERTIFICATE SUMMARY

Issuer:	State of Illinois
Offering:	$1,200,000,000 General Obligation Certificates of September, 2007.
Bidding Details:	Bids will be received until 11:00 A.M., Central Standard Time, September 17, via PARITY, as provided in the Official Notice of Sale.
Dated Date:	Date of issuance (expected to be September 25, 2007).
Maturity:	$1,200,000,000 of the aggregate principal amount will mature on November 9, 2007.
Interest:	Interest on each Certificate, computed on the basis of a 360-day year of twelve 30-day months, will be payable only on the maturity date thereof.
Security:	The Short Term Borrowing Act, 30 ILCS 340/1 et seq., pursuant to which the Certificates are being issued, constitutes an appropriation out of any money in the State Treasury of an amount sufficient to pay the interest on and principal of the Certificates as the same become due.
Form of Certificates:	Certificates will be issued in denominations of $5,000 or integral multiples thereof, in fully registered form through a global book-entry system. The Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Owners of the Certificates will not receive a certificate representing ownership interest.
Legal Opinion:	Peck, Shaffer & Williams LLP, Chicago, Illinois, as Bond Counsel.
Certificate Registrar / Paying Agent:	Treasurer of the State of Illinois, Springfield, Illinois.
Certificate Ratings:	Applications for short-term ratings on this issue have been made to Moody's Investors Service and Standard & Poor's, a division of The McGraw-Hill Companies.

For further information on this offering, please contact Phil Culpepper, (217) 782-5886 of the Governor's Office of Management and Budget, Springfield, Illinois or George Buzard, (312) 372-6060, of Peck, Shaffer & Williams LLP, Chicago, Illinois.

Subject to compliance by the State with certain covenants, in the opinion of Peck, Shaffer & Williams LLP, Chicago, Illinois, Bond Counsel, under present law interest on the Certificates 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 alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. See the heading "TAX EXEMPTION" herein for a more detailed discussion of some of the federal tax consequences of owning the Certificates. Bond Counsel is further of the opinion that interest on the Certificates is not exempt from present Illinois income taxes.

THE OFFERING

$1,200,000,000
STATE OF ILLINOIS
GENERAL OBLIGATION CERTIFICATES OF SEPTEMBER, 2007

INTRODUCTION

This Preliminary Official Statement of the State of Illinois (the "*State*"), including the cover and appendices, presents certain information in connection with the issuance by the State of $1,200,000,000 aggregate principal amount of its certificates designated as the State of Illinois General Obligation Certificates of September, 2007 (the "*Certificates*").

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

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

AUTHORITY FOR ISSUANCE

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

DESCRIPTION OF CERTIFICATES

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

Issuance	Maturity	Amount
September 25, 2007	November 9, 2007	$1,200,000,000

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

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

SECURITY

The Certificates, together with all other General Obligation Bonds are direct, full faith and credit, general obligations of the State. The Act constitutes an appropriation out of any money in the State Treasury of an amount sufficient to pay the principal of and interest on the Certificates as the same become due. The Certificate Order, dated as of September 17, 2007 and executed by the Governor, the Comptroller and the Treasurer of the State, pursuant to which the Certificates are issued (the "*Certificate Order*"), authorizes the Governor, the Comptroller and Treasurer of the State to provide for the transfer of moneys on deposit in any funds of the State Treasury into the General Obligation Bond Retirement and Interest Fund of the State (the "*GOBRI Fund*") at such times and in such amounts as they deem necessary for the timely payment of the principal of and interest on the Certificates.

The anticipated sources of funds to repay the principal of and interest on the Certificates when due and the anticipated schedule of transfers of such funds to the GOBRI Fund to provide for such payment are set forth in Table 5A of this Preliminary Official Statement.

USE OF CERTIFICATE PROCEEDS

The purpose of the borrowing is to provide liquidity to the Hospital Provider Fund to make supplemental payments to certain public and non-public hospitals within the State of Illinois ("Supplemental Payments") pursuant to the Medicaid State Plan. The Medicaid State Plan was filed and reviewed pursuant to the requirements of sections 1902, 1903, and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C (approved by Federal CMS on November 30, 2006). The Hospital Assessment Tax receipts, together with Federal Medicaid allowable financial participation reimbursement receipts related to making the Supplemental Payments, will be transferred into the GOBRI Fund, prior to maturity of the Certificates, for the payment of the principal and interest then due on the Certificates. Accrued interest and net original issue premium, if any, will be deposited into the GOBRI Fund to be used towards the payment of the principal and interest due on the Certificates.

As outlined above, the supplemental inpatient and outpatient payments are essentially self-financed by the recipient hospitals and the Federal government, with this borrowing used to provide interim cash flow. As noted below, proceeds of the borrowing will be deposited to the Hospital Provider Fund. Upon making the Supplemental Payments from the Hospital Provider Fund, the State will deposit Federal Medicaid reimbursements, as well as Hospital Assessment Tax receipts, into that fund. Together those receipts will be sufficient to fully pay the total debt service on the borrowing and generate a residual cash balance. Subsequently, that residual balance in the Hospital Provider Fund will be transferred to the General Revenue Fund and other healthcare related funds.

Cash flow estimates for these funds for the term of the Certificates are set forth in Tables 4A, 5 and 5A.

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

Sources:	
Principal Amount of Certificates	
Net Re-Offering Premium	
Total Sources	
Uses:	
Deposit of Principal to Hospital Provider Fund	
Deposit of Premium GOBRI Fund less	
Underwriter's Discount	
Issuance Expenses	
Total Uses	

RATINGS

The State has applied to Moody's Investors Service ("*Moody's*") and Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, ("*S&P*") (collectively, the "*Rating Agencies*"), for short-term ratings on the Certificates. These ratings, if assigned, reflect the views of such organizations and an explanation of the significance of such ratings may be obtained only from the respective Rating Agencies. As part of the State's application for the ratings, certain information and materials, some of which are not contained herein, have been supplied to the Rating Agencies. The ratings are neither a "market" rating nor a recommendation to buy, sell or hold the Certificates and the ratings and the Certificates should be evaluated independently.

As of the State's most recent issuance of General Obligation Bonds in June 2007, the State's long term General Obligation Bonds were rated "*Aa3*" with a Stable Outlook by Moody's, "*AA*" with a Stable Outlook by S&P and "*AA*" with a Negative Outlook by Fitch Ratings Inc. Each such rating reflects only the views of such rating agency. Any explanation of the significance of such ratings may be obtained only from the respective rating agencies. As part of the State's application for the ratings, certain information and materials, some of which are not contained herein, have been supplied to the Rating Agencies. The ratings are neither a "*market*" rating nor a recommendation to buy, sell or hold the Bonds and the ratings and the Bonds should be evaluated independently.

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

LEGAL OPINION

The Certificates are offered subject to the approving opinion of Peck, Shaffer & Williams LLP, Chicago, Illinois, Bond Counsel.

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

TAX MATTERS

In the opinion of Peck, Shaffer & Williams LLP, Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes. Interest on the Bonds is not exempt from present Illinois income taxes. See "APPENDIX B – PROPOSED FORM OF OPINION OF BOND COUNSEL."

General

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

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

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

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

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

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

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

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

Bond Premium

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

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

GENERAL OBLIGATION BONDS

The General Obligation Bond Act, 30 ILCS 330 *et seq.* (the "*GO Bond Act*"), authorizes the State to issue and sell General Obligation Bonds ("*GO Bonds*") for the purposes and in the amounts listed below, and to refund any outstanding GO Bonds. The GO Bond Act consolidated the authorization contained in prior bond acts into a single act.

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

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

The GO 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 GO Bond Act and its predecessor Bond Acts.

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

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

CONTINUING DISCLOSURE

The State will enter into a Limited Continuing Disclosure Undertaking (the "*Undertaking*") for the benefit of the beneficial owners of the Certificates to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b) (5) of Rule 15c2-12 (the "*Rule*") adopted by the Securities and Exchange Commission (the "*SEC*") under the Securities Exchange Act of 1934, as amended (the "*1934 Act*"). See "APPENDIX D – LIMITED CONTINUING DISCLOSURE UNDERTAKING" for the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies. As the Certificates have a maturity of less than 18 months, the State is exempt from the provisions of the Rule requiring the delivery of annual financial information to the nationally recognized securities information repositories specified in the Rule.

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

LITIGATION

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

The following describes certain pending lawsuits in Illinois:

Fee Protest Litigation:

In November 2004, the Circuit Court of Cook County ruled that the imposition of a surcharge on workers' compensation insurance policies coupled with a mechanism to transfer a portion of surcharge proceeds to the State's General Funds pursuant to Public Act 93-32 was unconstitutional. As a result, the court escrowed $11.5 million of surcharge proceeds pending final disposition of the case. The State appealed the ruling directly to the Illinois Supreme Court. The Court heard argument in May 2005 and in October 2005 released its opinion reversing the lower court's order granting plaintiff summary judgment and remanding the matter to the circuit court for further proceedings. In October 2005, on the State's motion, the trial court released approximately $1.4 million from escrow to fund Illinois Workers' Compensation Commission ("*IWCC*") operations through November 2005. The court further agreed to the future release, on a monthly basis upon the State's petition, of amounts sufficient to fund ongoing IWCC operations. Since October 2005, the IWCC has on a regular basis requested and the Circuit Court of Cook County has released monies sufficient to fund the IWCC's on-going operations. As of July 2007, approximately $12.2 million remained in escrow. In addition, the trial court has allowed certain insurance companies to make surcharge payments into the Protest Fund. As of July 2007, approximately $22.3 million in such payments have been deposited into the Protest Fund.

Several other special interest groups have filed similar actions challenging the constitutionality of fee increases and the application of legislatively-mandated transfer mechanisms. In an action brought in Sangamon County in December 2004, a group of trade associations representing depository institutions and mortgage lenders challenged the assessment of fees on and application of certain provisions of the Illinois Finance Act to their industries. In March 2005, a Sangamon County judge issued a preliminary injunction barring further transfers from the funds at issue pending resolution of the matter. As of July 2007, approximately $71 million remained in the funds pending resolution of the litigation. In late 2006, fee assessments were sent to depository institutions which did not include certain credits sought by the institutions. The plaintiffs sought a temporary restraining order directing the State to apply credits; however, the plaintiffs' motion was denied in December 2006.

In May and June 2006, trade associations representing property and casualty insurance and real estate sales interests, respectively, and a motorcyclists' organization filed similar actions in Sangamon County challenging certain fees and transfers of funds. The Sangamon County Court entered orders preliminarily preventing the State from transferring monies from the funds at issue, pending further consideration of the matters. In June 2006, in the motorcyclists case, the Sangamon County Court denied the plaintiffs' motion for a temporary restraining order as to all but two funds; plaintiffs had previously sought to enjoin transfers from 39 state funds. In November 2006, the Sangamon County Court granted the State's motion to dismiss the motorcyclists' litigation as to two State funds; litigation regarding a third fund continues. The State anticipates that it will dispose, in whole or substantial part, of the matters pending in Cook and Sangamon Counties based upon prior Illinois Appellate and Supreme Court rulings.

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

Retaliatory Tax Litigation:

In May 2005, the Director of Insurance assessed Sun Life Assurance Company of Canada approximately $4 million in additional tax owed pursuant to the so-called "*retaliatory*" statute (215 ILCS 5/444). Sun Life objected to the assessment and filed an action seeking a declaration that the tax is unconstitutional as in violation (among other reasons) of the Commerce Clause. Sun Life has not, to date, paid the tax under protest. Instead, the company sought and obtained an injunction barring the State from collecting the tax. The State prevailed in both the trial and appellate courts. Sun Life's petition for leave to appeal the appellate court's ruling to the Illinois Supreme Court is currently pending. In a separate action, John Hancock Life Insurance Company filed suit in Cook County challenging the State's collection of approximately $7 million in retaliatory tax. The company claims exemption from payment of insurance taxes under the terms of a contract with the State for the provision of group life insurance to State employees. On November 1, 2006, the First District (Illinois) Appellate Court upheld the State's imposition of the retaliatory tax and affirmed the State's legal analysis in all regards. Sun Life has filed a Petition for Leave to Appeal with the Illinois Supreme Court. On March 28, 2007 that court accepted the petition and will hear the appeal. There remains approximately $3.8 million in protest funds relating to ongoing insurance premium tax litigation.

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STATE OF ILLINOIS

ORGANIZATION

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

The Illinois Constitution provides that all elected officials of the Executive Branch of the State government hold office for four-year terms. Pursuant to the State Constitution, these officials were elected at a general election in November 2006 and took office as of January 13, 2007. The next State general election will be held in November 2010.

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

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

CONSTITUTIONAL PROVISIONS RELATING TO REVENUES AND EXPENDITURES

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

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

CONSTITUTIONAL PROVISIONS RELATING TO LONG TERM BORROWING

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

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

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

CONSTITUTIONAL PROVISIONS RELATING TO SHORT TERM BORROWING

Section 9(c) of Article IX of the State Constitution, pursuant to which the Short Term Borrowing Act was enacted states:

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

In February 2007, General Obligation Certificates in the amount of $900 million were issued pursuant to the provisions of the Short Term Borrowing Act authorized by Section 9(c) of Article IX of the State Constitution as set forth above. In June 2007 the February 2007, General Obligation Certificates were repaid. See "INDEBTEDNESS – SHORT TERM DEBT."

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

GOMB was created in 2003 by the Governor's Office of Management and Budget Act (20 ILCS 3005/1 *et seq*.). GOMB's predecessor in managing State debt was the Bureau of the Budget, created in 1969 by act of the General Assembly. GOMB is headed by the Director, who is appointed by the Governor. In addition to assisting the Governor in developing the State's annual operating and capital budgets, GOMB provides financial and other information regarding the State to securities investors, Nationally Recognized Municipal Securities Information Repositories (each, a "*NRMSIR*") and others as required by federal securities rules. See "THE OFFERING – CONTINUING DISCLOSURE" and "APPENDIX D – SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING."

STATE FINANCIAL INFORMATION

The tables that follow present pertinent financial information about the State. Data is for the State's fiscal years which run from July 1 through June 30. Tables 1, 1-A, 2, and 6 of this section, unless otherwise noted, are based on information contained in detailed annual reports or records of the Illinois Office of the Comptroller (the "*Comptroller*"). The fiscal year 2006 ("*FY06*") Comprehensive Annual Financial Report ("*CAFR*") may be found at: *www.apps.ioc.state.il.us/ioc-pdf/CAFR_2006.pdf*. Tables 3, 4 and 5 are based on records of the GOMB, though Tables 4 and 5 also include information drawn from various reports or records of the Comptroller. For purposes of Tables 1 and 2 of this section, expenditures are deemed to be recognized when payment warrants are issued.

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TABLE 1

RECEIPTS AND DISBURSEMENTS[1], GENERAL FUNDS[2]
FISCAL YEARS 2003-2007
($ IN MILLIONS)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Available Balance, Beginning	**$256**	**$317**	**$182**	**$497**	**$590**
Receipts					
State Revenues					
Income Tax	8,079	8,208	9,151	10,063	11,158
Sales Tax	6,059	6,331	6,595	7,092	7,136
Public Utility Tax	1,006	1,079	1,056	1,074	1,131
Cigarette Tax	400	400	450	400	350
Inheritance Tax	237	222	310	272	264
Liquor Gallonage Tax	123	127	147	152	156
Insurance Tax & Fees	313	362	342	317	310
Corporate Franchise Tax	142	163	181	181	193
Investment Income	66	55	73	153	204
Intergovernmental Transfers	355	428	433	350	307
Other	383	517	652	479	482
Total, State Revenues	**17,163**	**17,892**	**19,390**	**20,533**	**21,691**
Federal Revenues					
Medicaid & Social Services	3,940	5,189	4,257	4,725	4,703
Transfers In					
From Other State Funds[3,4]	1,983	3,742	2,513	2,101	2,246
Hospital Provider Fund[5]	-	-	3	-	-
Total Revenues	**23,086**	**26,823**	**26,163**	**27,359**	**28,640**
Short-Term Borrowing	1,675	-	765	1,000	900
Total Cash Receipts[3]	**$24,761**	**$26,823**	**$26,928**	**$28,359**	**$29,540**
Cash Disbursements					
Expenditures for Appropriations (See Table 1-A)	21,959	23,448	22,187	24,193	25,604
Transfers Out					
Short-Term Borrowing[6,7]	710	1,417	768	1,014	991
Debt Service Funds[8]	624	584	852	1,026	1,064
Other State Funds[3]	1,407	1,509	2,806	2,033	1,910
Total Cash Disbursements	**$24,700**	**$26,958**	**$26,613**	**$28,266**	**$29,489**
Cash Balance, Ending	**$317**	**$182**	**$497**	**$590**	**$642**

1 Based on information from the Illinois Office of the Comptroller.
2 General Funds include the General Revenue Fund, Common School Fund, General Revenue-Common School Special Account Fund and the Education Assistance Fund.
3 Excludes transfers to and from the Budget Stabilization Fund.
4 Fiscal Year 2004 includes $1,498 million of Pension Bond Proceeds.
5 Transfers In reflects the net amount between $982 million received and the $979 million transferred out to the Hospital Provider Fund.
6 All Short-Term certificates issued during the period of this Table were fully retired by June 30, 2007. Also see "INDEBTEDNESS" section for additional information.
7 Fiscal Year 2007 amount of $991 million reflects various transfers that result in retirement of the Fiscal Year 2007 G.O. Certificates.
8 Reflects debt service on G.O. Bonds.

TABLE 1A
CASH EXPENDITURES BY CATEGORY[1]
FISCAL YEARS 2003-2007
($ IN MILLIONS)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Cash Expenditures					
Operations	$6,561	$6,357	$6,347	$6,390	$6,656
Awards and Grants[2]	15,468	16,236	16,184	17,616	18,695
Permanent Improvements	12	9	10	11	10
Refunds	28	23	23	16	20
Vouchers Payable Adjustments	(94)	871	(401)	170	234
Prior Year Adjustments	(15)	(48)	25	(10)	(11)
Total Expenditures for Appropriations	**$21,959**	**$23,448**	**$22,188**	**$24,193**	**$25,604**

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

[2] FY 2004 reflects additional Medicaid spending facilitated by an $850 million short term borrowing in order to maximize Federal reimbursements at a higher recovery rate (52.95% vs. 50%) that was available only in FY 2004. As a result, spending on FY 2005 Awards & Grants was reduced by a corresponding amount.

TABLE 2
RECEIPTS AND DISBURSEMENTS[1] - ROAD FUND
FISCAL YEARS 2003-2007
($ IN MILLIONS)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Available Balance, Beginning	**$839**	**$338**	**$152**	**$324**	**$789**
Receipts					
State Revenues					
Motor Vehicle & License Fees	567	653	585	788	747
Certificates of Title	145	148	155	90	88
Property Sales (City & County)	62	64	69	65	91
Miscellaneous	41	118	42	39	65
Total, State Revenues	**815**	**983**	**851**	**982**	**991**
Federal Revenues	718	887	868	1,024	1,020
Transfers In					
Motor Fuel Fund	364	332	337	337	385
Other Funds	-	-	-	-	-
Total Receipts (Revenues + Transfers In)	**$1,897**	**$2,202**	**$2,056**	**$2,343**	**$2,396**
Disbursements					
Expenditures for Appropriations	2,138	2,028	1,611	1,592	2,428
Transfers Out					
Debt Service Funds[2]	225	227	249	249	255
Other State Funds	35	133	24	37	69
Total Transfers Out	**260**	**360**	**273**	**286**	**324**
Total Disbursements (Expenditures + Transfers Out)	**$2,398**	**$2,388**	**$1,884**	**$1,878**	**$2,752**
Cash Balance, Ending	**$338**	**$152**	**$324**	**$789**	**$433**

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

TABLE 3
GENERAL FUNDS APPROPRIATIONS[1]
FY 2006 ACTUAL VS. FY 2007 BUDGET
($ IN MILLIONS)

	FY06	FY07	$ Change	%Change
Elementary & Secondary Education	$6,639	$7,287	$648	9.76%
Higher Education	2,190	2,183	-7	-0.32%
Healthcare & Family Services (Public Aid)	7,344	7,622	278	3.79%
Revenue	127	152	25	19.69%
Human Services	3,816	3,924	108	2.83%
Corrections	1,169	1,106	-63	-5.39%
Children & Family Services	803	761	-42	-5.23%
Central Management Services	95	104	9	9.47%
State Police	173	196	23	13.29%
Other Agencies	1,747	2,160	413	23.64%
Net Appropriations (Spending)	**$24,103**	**$25,495**	**$1,392**	**5.78%**
Unspent Appropriations (Salvage)	369	520	$151	40.92%
Budgeted Appropriations	**$24,472**	**$26,015**	**$1,543**	**6.31%**

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

[2] *Includes $196 million in supplemental General Revenue Fund appropriations.*

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TABLE 4
GENERAL FUNDS CASH RECEIPTS[1]
FY 2006 ACTUAL VS. FY 2007 BUDGET & ACTUAL
($ IN MILLIONS)

	FY 2006 Actual	FY 2007 Enacted	FY 2007 Actual	FY 2007 vs. 2006	Percent Change
Cash Receipts					
State Sources, Cash Receipts:					
Net Individual Income Tax	$8,635	$9,130	$9,408	$773	9.0%
Net Corporate Income Tax	1,428	1,688	1,750	$322	22.5%
Net Income Taxes	**10,063**	**10,818**	**11,158**	**$1,095**	**10.9%**
Sales Taxes	**7,092**	**7,356**	**7,136**	**$44**	**.6%**
Other Sources					
Public Utility Taxes	1,074	1,110	1,131	$57	5.3%
Cigarette Taxes	400	350	350	($50)	-12.5%
Inheritance Tax (gross)	272	255	264	($8)	-2.9%
Liquor Gallonage Taxes	152	153	156	$4	2.6%
Insurance Tax and Fees	317	322	310	($7)	-2.2%
Corporation Franchise Tax & Fees	181	186	193	$12	6.6%
Investment Income	153	185	204	$51	33.3%
Cook County IGT	350	307	307	($43)	-12.3%
Riverboat Gambling Taxes	4	0	0	($4)	-100.0%
Other	475	475	482	$7	1.5%
Total: Other State Sources	**3,378**	**3,343**	**3,397**	**$19**	**0.6%**
Total: State Revenues	**20,533**	**21,517**	**21,691**	**$1,158**	**5.6%**
Transfers In:					
Lottery Fund	670	631	622	($48)	-7.2%
State Gaming Fund	685	692	685	0	0%
Other Funds	746	850	939	$193	25.9%
Total: State Transfers In	**2,101**	**2,173**	**2,246**	**$145**	**6.9%**
Total: State Sources	**22,634**	**23,690**	**23,937**	**$1,303**	**5.8%**
Federal Sources					
Cash Receipts	4,725	4,803	4,703	($22)	-0.5%
Total: Federal Sources	**4,725**	**4,803**	**4,703**	**($22)**	**-0.5%**
Total Revenues and Transfers In	**27,359**	**28,493**	**28,640**	**$1,281**	**4.7%**
Short-Term borrowing	1,000	900	900	($100)	-10%
Transfer from Budget Stabilization Fund	276	276	276	0	0.0%
Hospital Provider Fund	0	0	456	0	100%
Total: Cash Receipts	**$28,635**	**$29,669**	**$30,220**	**$1,585**	**5.5%**

[1] Source: Office of the Comptroller

FISCAL YEAR 2007 OVERVIEW

The FY07 results are presented in Tables 1 and 1A on a cash basis (receipts and disbursements) with comparative data for FY03 - 07 for the General Funds. Table 2 provides similar cash basis results for the Road Fund. Table 3 provides a comparison of appropriations for FY06 and FY07 for the General Funds. Table 4 compares General Funds cash receipts for FY06 and 07 (budget and actual).

FISCAL YEAR 2007 RESULTS

On a budget basis, State Source Revenues totaled \$21,691 million in FY07, a \$1,158 million or 5.6% increase over FY06. 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 FY05 and continuing through FY07. Federal Source Revenues decreased by \$22 million or -0.5% from FY06. Statutory Transfers In decreased by \$145 million or 6.9% over FY06 results, primarily reflecting year-to-year timing differences in such cash transfers. In sum, total base resources (revenues plus transfers in) increased by \$1,281 million or 4.7% in FY07, excluding the non-recurring effects of the funds transfers related to short term borrowing proceeds and subsequent repayments.

Appropriations for FY07 increased by \$1,657 million to \$26,016 million, or 6.8% over the comparable FY06 amount. Estimated appropriated expenditures increased to \$25,495 million, which was approximately \$1,392 million or 5.8% greater than appropriated expenditures in FY06. Programmatic increases in FY07 included additional elementary and secondary education grants and additional Medicaid expenditures. Statutory Transfers Out decreased by \$86 million or 2.6% in FY07.

Reflecting actual FY07 revenues plus transfers in, as well as forecasted FY07 expenditures plus transfers out, the estimated budget basis operating surplus for FY07 is \$161 million, resulting in a forecasted budget basis fund balance deficit of \$131 million, the smallest since FY01. Accounts payable are projected to be reduced by \$108 million to \$773 million by the end of FY07. General Funds cash was \$642 million at June 30, 2007, the highest year-end balance since FY01. Total General Funds operating cash, including the Budget Stabilization Fund of \$276 million, increased to \$918 million, again the highest balance since FY01.

The FY07 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 approximately 68,800 full time equivalent ("*FTE*") employees at the beginning of FY03 to approximately 56,700 FTE's at the end of FY07. That reduction represents a 12,100 decrease in FTE employees or approximately 18%.

BUDGET STABILIZATION FUND

Legislation enacted in 2000 required the State to transfer any unencumbered balance in the Tobacco Settlement Recovery Fund as of June 30, 2001 to the newly-created Budget Stabilization Fund. The State transferred \$225 million to the Budget Stabilization Fund in July 2001. Public Act 92-11, effective June 11, 2001, authorized the Comptroller to direct the transfer of money from the Budget Stabilization Fund to the General Revenue Fund to meet short-term cash flow needs, with the requirement that all money so transferred must be repaid within the same fiscal year. The FY04 budget included an additional \$50 million contribution to the Budget Stabilization Fund, bringing the end of year balance to \$276 million, where it remained at June 30, 2006. The FY07 Operating Budget maintained the Budget Stabilization Fund at that same level.

BASIS OF ACCOUNTING

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

Treasury by the Comptroller. Prior to FY98, disbursements were recognized when payment warrants were issued. Since FY98, disbursements are recognized when vouchers are approved and released for payment.

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

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Table 4A
Monthly Cash Flow - General Funds
July 2006 to June 2007 Actual
($ in Millions)

	Actual											
General Funds Pro Forma Cashflow	**Jul-06**	**Aug-06**	**Sep-06**	**Oct-06**	**Nov-06**	**Dec-06**	**Jan-07**	**Feb-07**	**Mar-07**	**Apr-07**	**May-07**	**Jun-07**
REVENUES and TRANSFERS-IN												
Net Individual Income Tax	557.7	610.7	795.5	587.7	611.7	621.5	1,138.0	615.2	769.3	1,276.1	995.3	829.7
Net Corporate Income Tax	39.2	19.2	285.3	65.0	29.2	238.4	55.7	5.9	308.5	399.0	74.6	229.5
Sales Tax Revenue	591.5	652.9	614.2	618.7	579.6	638.1	650.3	516.5	514.7	552.5	589.1	617.9
All Other State Revenues	219.0	257.9	281.4	192.9	315.7	277.1	299.0	324.6	267.6	282.3	365.1	314.6
Operating Transfers-In	245.3	141.6	159.9	173.9	142.6	120.7	181.9	89.1	439.2	438.3	150.5	417.9
Total State Sources	**$ 1,652.7**	**$ 1,682.3**	**$ 2,136.3**	**$ 1,638.2**	**$ 1,678.7**	**$ 1,895.6**	**$ 2,324.9**	**$ 1,551.3**	**$ 2,299.4**	**$ 2,948.2**	**$ 2,174.6**	**$ 2,409.6**
Federal Revenues	301.1	524.1	367.4	346.6	291.9	329.8	643.1	292.6	524.6	389.4	325.4	366.4
Budget Stabilization Fund - Borrowing	-	276.0	-	-	-	-	-	-	-	-	-	-
Total Revenues and Transfers In	**$ 1,953.8**	**$ 2,482.4**	**$ 2,503.7**	**$ 1,984.8**	**$ 1,970.7**	**$ 2,225.4**	**$ 2,968.0**	**$ 1,843.8**	**$ 2,824.0**	**$ 3,337.6**	**$ 2,500.0**	**$ 2,776.0**
Transfers-In (HAT Implementation)	-	-	-	-	-	-	-	-	-	-	-	-
Short Term Borrowing - Proceeds	-	-	-	-	-	-	-	900.0	-	-	-	-
Revenues and Transfers-In (including HAT)	**$ 1,953.8**	**$ 2,482.4**	**$ 2,503.7**	**$ 1,984.8**	**$ 1,970.7**	**$ 2,225.4**	**$ 2,968.0**	**$ 2,743.8**	**$ 2,824.0**	**$ 3,337.6**	**$ 2,500.0**	**$ 2,776.0**
EXPENDITURES and TRANSFERS-OUT												
Health and Human Services	1,134.5	1,398.1	1,019.3	1,086.5	1,092.9	1,077.1	1,224.6	1,054.2	1,191.4	1,061.9	845.5	699.0
Public Safety	105.7	126.2	113.9	103.6	93.7	112.5	109.0	94.2	118.2	113.4	112.2	113.7
Government Services	39.5	22.4	18.4	18.9	19.0	20.9	16.6	16.0	17.9	17.1	16.8	14.9
State Board of Education	97.0	490.4	720.7	486.0	436.7	703.3	448.4	454.7	679.5	494.7	427.7	1,017.2
All Other Expenditures	277.7	406.8	413.8	407.6	462.2	375.0	385.2	475.5	387.9	304.2	341.2	248.6
Scheduled Transfers-Out	414.3	292.0	120.6	264.9	233.8	190.3	272.6	212.2	211.8	536.7	461.5	234.2
Budget Stabilization Fund - Repayment	-	-	-	-	-	-	-	-	-	-	276.0	-
Total Expenditures and Transfers Out	**$ 2,068.7**	**$ 2,735.9**	**$ 2,406.7**	**$ 2,367.5**	**$ 2,338.3**	**$ 2,479.0**	**$ 2,456.4**	**$ 2,306.8**	**$ 2,606.7**	**$ 2,528.0**	**$ 2,480.8**	**$ 2,327.5**
Transfers-Out (HAT Implementation)	-	-	-	-	-	-	-	-	-	-	-	-
Short Term Borrowing - Repayment	-	-	-	-	-	-	-	900.0	-	-	-	11.1
Exp. and Transfers-Out (including HAT)	**$ 2,068.7**	**$ 2,735.9**	**$ 2,406.7**	**$ 2,367.5**	**$ 2,338.3**	**$ 2,479.0**	**$ 2,456.4**	**$ 3,206.8**	**$ 2,606.7**	**$ 2,528.0**	**$ 2,480.8**	**$ 2,338.7**
GENERAL FUNDS CASH BALANCE												
Beginning Available Balance - General Funds	**$ 590.4**	**$ 712.3**	**$ 623.0**	**$ 597.4**	**$ 454.2**	**$ 520.0**	**$ 428.5**	**$ 484.7**	**$ 298.7**	**$ 303.3**	**$ 241.1**	**$ 616.1**
Plus Revenues and Transfers-In	1,953.8	2,482.4	2,503.7	1,984.8	1,970.7	2,225.4	2,968.0	2,743.8	2,824.0	3,337.6	2,500.0	2,776.0
Less Exp and Transfers-Out (Including HAT)	(2,068.7)	(2,735.9)	(2,406.7)	(2,367.5)	(2,338.3)	(2,479.0)	(2,456.4)	(3,206.8)	(2,606.7)	(2,528.0)	(2,480.8)	(2,338.7)
Increase (Decrease) in Voucher Inventory	236.7	161.0	(124.4)	237.9	431.8	159.3	(457.4)	273.2	(216.2)	(876.3)	353.5	(412.8)
Adjustments for Transit Items	(0.0)	3.2	1.7	1.6	1.6	2.8	2.0	3.8	3.5	4.5	2.3	1.2
Ending Cash Balance - General Funds	**$ 712.3**	**$ 623.0**	**$ 597.4**	**$ 454.2**	**$ 520.0**	**$ 428.5**	**$ 484.7**	**$ 298.7**	**$ 303.3**	**$ 241.1**	**$ 616.1**	**$ 641.8**
Budget Stabilization Fund Balance	276.0	-	-	-	-	-	-	-	-	-	276.0	276.0
Ending Available Balance - General Funds	**$ 988.3**	**$ 623.0**	**$ 597.4**	**$ 454.2**	**$ 520.0**	**$ 428.5**	**$ 484.7**	**$ 298.7**	**$ 303.3**	**$ 241.1**	**$ 892.1**	**$ 917.8**
ACCOUNTS PAYABLE (A/P)												
Beginning Accounts Payable	**$ 881.3**	**$ 721.8**	**$ 637.7**	**$ 507.6**	**$ 745.5**	**$ 1,177.3**	**$ 1,336.6**	**$ 879.2**	**$ 1,152.4**	**$ 936.2**	**$ 59.9**	**$ 413.4**
Comptroller Change in Voucher Inventory	236.7	161.0	(124.4)	237.9	431.8	159.3	(457.4)	273.2	(216.2)	(876.3)	353.5	(412.8)
2006 Lapse Period Obligations Paid	(396.2)	(245.1)	(5.7)	-	-	-	-	-	-	-	-	-
2007 Lapse Period Obligations Incurred	-	-	-	-	-	-	-	-	-	-	-	772.7
Ending Accounts Payable	**$ 721.8**	**$ 637.7**	**$ 507.6**	**$ 745.5**	**$ 1,177.3**	**$ 1,336.6**	**$ 879.2**	**$ 1,152.4**	**$ 936.2**	**$ 59.9**	**$ 413.4**	**$ 773.3**

Table 5

MONTHLY CASHFLOW - GENERAL FUNDS
(In $ millions)

JULY 2007 - NOVEMBER 2007

General Funds Pro Forma Cashflow	Actual		Projected		
	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07
REVENUES and TRANSFERS-IN					
Net Individual Income Tax	596.0	639.4	846.1	684.7	677.4
Net Corporate Income Tax	40.1	13.3	274.6	49.7	92.0
Sales Tax Revenue	626.0	597.3	621.3	614.0	615.7
All Other State Revenues	234.2	284.7	278.8	276.0	220.1
Operating Transfers-In	186.1	152.8	153.8	118.4	157.4
Total State Sources	**$ 1,682.3**	**$ 1,687.5**	**$ 2,174.6**	**$ 1,742.8**	**$ 1,762.7**
Federal Revenues	573.5	574.4	421.4	374.2	375.9
Budget Stabilization Fund - Borrowing	-	275.3	-	-	-
Total Revenues and Transfers In	**$ 2,255.8**	**$ 2,537.2**	**$ 2,596.0**	**$ 2,117.0**	**$ 2,138.6**
Transfers-In (Health Provider Fund)	-	-	-	80.0	-
Revenues and Transfers-In (including HAT)	**$ 2,255.8**	**$ 2,537.2**	**$ 2,596.0**	**$ 2,197.0**	**$ 2,138.6**
EXPENDITURES and TRANSFERS-OUT					
Health and Human Services	2,305.1	1,184.7	1,215.4	1,220.7	1,076.9
Public Safety	105.4	121.0	125.5	122.4	111.9
Government Services	29.1	31.6	20.6	22.6	23.7
State Board of Education	75.0	500.7	736.8	588.6	500.4
All Other Expenditures	322.7	336.9	394.9	438.1	474.4
Scheduled Transfers-Out	317.5	218.8	161.1	203.0	157.6
Budget Stabilization Fund - Repayment	-	-	-	-	-
Total Expenditures and Transfers Out	**$ 3,154.7**	**$ 2,393.9**	**$ 2,654.2**	**$ 2,595.4**	**$ 2,344.8**
GENERAL FUNDS CASH BALANCE					
Beginning Available Balance - General Funds	**$ 641.8**	**$ 676.3**	**$ 596.3**	**$ 596.3**	**$ 596.3**
Plus Revenues and Transfers-In	2,255.8	2,537.2	2,596.0	2,197.0	2,138.6
Less Expenditures and Transfers-Out	(3,154.7)	(2,393.9)	(2,654.2)	(2,595.4)	(2,344.8)
Increase (Decrease) in Voucher Inventory (A/P)	932.7	(223.3)	58.2	398.4	206.2
Adjustments for Transit Items	0.7	-	-	-	-
Ending Cash Balance - General Funds	**$ 676.3**	**$ 596.3**	**$ 596.3**	**$ 596.3**	**$ 596.3**
Budget Stabilization Fund Balance	275.3	-	-	-	-
Ending Available Balance - General Funds	**$ 951.6**	**$ 596.3**	**$ 596.3**	**$ 596.3**	**$ 596.3**
GENERAL FUNDS - ACCOUNTS PAYABLE (A/P)					
Beginning A/P (Including Lapse Period)	**$ 769.6**	**$ 1,266.2**	**$ 712.4**	**$ 768.2**	**$ 1,166.6**
Comptroller Change in Voucher Inventory (A/P)	932.7	(223.3)	58.2	398.4	206.2
FY2007 Accounts Payable Obligations Paid	(436.1)	(330.5)	(2.4)	-	-
Ending A/P (Including Lapse Period)	**$ 1,266.2**	**$ 712.4**	**$ 768.2**	**$ 1,166.6**	**$ 1,372.8**

Table 5A
MONTHLY CASHFLOW - HOSPTIAL PROVIDER FUND
(In $ millions)
JULY 2007 - NOVEMBER 2007

Hospital Provider Fund Pro Forma Cashflow	Actual		Projected		
	Jul-07	**Aug-07**	**Sep-07**	**Oct-07**	**Nov-07**
REVENUES and TRANSFERS-IN					
Hospital Assessment Tax (HAT) Receipts	-	-	-	733.8	-
Interest Income	0.7	0.0	-	-	-
Total State Sources	**$ 0.7**	**$ 0.0**	**$ -**	**$ 733.8**	**$ -**
Federal Revenues	0.4	-	599.3	-	-
Revenues and Transfers In	**$ 1.1**	**$ 0.0**	**$ 599.3**	**$ 733.8**	**$ -**
Short Term Borrowing - Proceeds of G.O.Certificates	-	-	1,202.1	-	-
TOTAL: Revenues and Transfers-In (including borrowing)	**$ 1.1**	**$ 0.0**	**$ 1,801.5**	**$ 733.8**	**$ -**
EXPENDITURES and TRANSFERS-OUT					
Access Assurance Payments	-	-	1,198.7	-	-
Transfer to General Revenue Fund	-	-	-	80.0	-
Transfer to Other State Healthcare Funds	-	-	-	50.0	-
Expenditures and Transfers Out	**$ -**	**$ -**	**$ 1,198.7**	**$ 130.0**	**$ -**
Short Term Borrowing - G.O. Certificate repayment (to GOBRI fund)	-	-	2.1	-	1,203.4
TOTAL: Expenditures and Transfers-Out (including debt service)	**$ -**	**$ -**	**$ 1,200.8**	**$ 130.0**	**$ 1,203.4**
HOSPITAL PROVIDER FUND - CASH BALANCE					
Beginning Available Balance - Hospital Provider Fund	**$ 8.6**	**$ 9.7**	**$ 9.8**	**$ 610.5**	**$ 1,214.3**
Plus Revenues and Transfers-In	1.1	0.0	1,801.5	733.8	-
Less Expenditures and Transfers-Out	-	-	(1,200.8)	(130.0)	(1,203.4)
Ending Cash Balance - Hospital Provider Fund	**$ 9.7**	**$ 9.8**	**$ 610.5**	**$ 1,214.3**	**$ 10.9**

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TABLE 6
STATE OF ILLINOIS
GENERAL FUNDS RECONCILIATION
FISCAL YEAR 2006
($ IN MILLIONS)

	Cash Basis	Adjustments for Budgetary Basis	Budgetary Basis	Adjustments for GAAP	GAAP Basis
Revenues:					
Income Taxes (net)	10,062	-	10,062	209	10,272
Sales Taxes (net)	7,085	7	7,092	(126)	6,965
Public Utility Taxes (net)	1,074	-	1,074	(15)	1,059
Federal Government (net)	4,647	-	4,647	1,671	6,318
Other (net)	2,297	(7)	2,290	1,298	3,588
Total Revenues	25,165	0	25,165	3,037	28,203
Expenditures:					
Current:					
Health and Social Services	12,544	(58)	12,487	1,964	14,451
Education	8,848	61	8,909	90	8,999
General Government	639	(29)	610	125	735
Employment and Economic Development	163	(59)	104	44	148
Transportation	115	1,563	1,678	(1,578)	100
Public Protection and Justice	1,721	(1,562)	159	1,735	1,894
Environment and Business Regulation	111	(5)	106	21	127
Debt Service:					
Principal	-	-	-	3	3
Interest	-	-	-	1	1
Capital Outlays	35	(2)	33	(23)	11
Total Expenditures	24,176	(90)	24,086	2,382	26,469
Excess of Revenues Over Expenditures	989	90	1,079	655	1,734
Other Sources (Uses) of Financial Resources:					
Operating Transfers In	5,315	-	5,315	(2,409)	2,906
Operating Transfers Out	(7,211)	-	(7,211)	3,301	(3,910)
Proceeds from short-term borrowings	1,000		1,000	(1,000)	-
Proceeds from Capital Lease Financing		-	-	1	1
Other financial sources	-	-	-	4	4
Net Other (Uses) of Financial Resources	(896)	-	(896)	(102)	(998)
Excess of Revenues Over Expenditures and Net Other (Uses) of Financial Resources	93	90	183	553	736
Fund Balances (Deficit) July 1, 2005	497	(971)	(474)	(2,590)	(3,064)
Increase (Decrease) for Changes in Inventories	-	-	-	420	420
Fund Balances (Deficit) June 30, 2006	**590**	**(881)**	**(291)**	**(2,037)**	**(2,327)**

Source: Based on information from the Comptroller and derived from the State's Comprehensive Annual Financial Report, which may be found at: *www.apps.ioc.state.il.us/ioc-pdf/CAFR_2006.pdf*).
Note: Columns may not add due to rounding.

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GAAP FINANCIAL REPORT

The complete General Purpose Financial Statements for FY06, prepared in accordance with GAAP, have been filed with each NRMSIR and are incorporated herein by reference thereto. Such Statements are also available upon request from the Comptroller at (217) 782 6000 or from the Comptroller's webpage at *www.illinoiscomptroller.com*. These statements were prepared by the Comptroller and examined and certified by the State Auditor General. For FY06, the Auditor General has expressed an unqualified opinion on the General Purpose Financial Statements.

Note 1 – Cash/Budget to GAAP Perspective Difference

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

Note 2 – Cash to Budget Adjustments

The budgetary basis fund balance deficit of $290,887 equals the June 30, 2006 cash balance of $590,434 less cash lapse period expenditures of $881,321. Adjustments from the cash basis of accounting for FY06 to the budgetary basis include adding FY06 lapse period spending (July 1 – August 31, 2006) and subtracting FY05 lapse period spending (July 1 – August 31, 2005). 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 FY05 "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 CAFR. 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.

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 FY99 - 01 to accommodate increases to the personal exemption. In FY02, the Refund Fund rate for personal income taxes was determined by the statutory formula, with a cap of 7.6 percent. In FY03, the Refund Fund rate for personal income taxes was set at 8.0 percent pursuant to Public Act 92-600. The Refund Fund rate for FY04 for personal income taxes was set at 11.7 percent pursuant to Public Act 93-32. After FY04, Public Act 93-32 provides that the Refund Fund rate for personal income taxes is determined by the statutory formula. The statutory rates were set at 10% for FY05, and 9.75% subsequently, including the proposed FY08 budget.

All personal income tax collections not deposited into the Refund Fund are deposited into the General Funds. The State Constitution requires that the basic corporate income tax rate not exceed the personal income tax rate by more than a ratio of 8:5.

Corporate Income Tax: The corporate income tax liability is 4.8 percent of each corporation's taxable income with a $1,000 exemption. The State Constitution requires that the basic corporate income tax rate not exceed the personal income tax rate by more than a ratio of 8:5. Multi-state corporations have corporate income 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 FY99 - 01 to accommodate the changes to the apportionment formula. In FY02, the Refund Fund rate for corporate income taxes was determined by the statutory formula, with a cap of 23.0 percent. In FY03, the Refund Fund rate for corporate income taxes was set at 27.0 percent pursuant to Public Act 92-600. The Refund Fund rate for FY04 for corporate income taxes was set at 32 percent pursuant to Public Act 93 32. After FY04, Public Act 93-32 provides that the Refund Fund rate for corporate income taxes will be determined by the statutory formula. The statutory rates were set at 24%, 20% and 17.5% for FY05, 06 and 07, respectively.

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.

Public Utility Taxes: Public utility tax receipts are comprised of taxes on electricity, natural gas, and telecommunications. In FY06, public utility taxes provided 3.9 percent of General Funds revenues. The tax for natural gas is imposed on gas utilities at the lesser of 5.0 percent of gross receipts or 2.4 cents per therm. The tax on electricity is a per kilowatt hour tax on end-user usage, with the marginal tax rate declining as usage increases during the month. Non-residential customers may opt to be "self-assessing purchasers" and pay at the rate of 5.1 percent of purchase price of the electricity that is used or consumed in a month.

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

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

ROAD FUND

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

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

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

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

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

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

TAX BURDEN

Two of the most commonly cited measures of tax burden are tax receipts per capita and tax receipts per $1,000 of personal income. According to the United States Department of Commerce, Bureau of the Census, State Government Finances: 2004 (revised May 2006), 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 2004, the State's general revenue collections per capita of $3,465 ranked seventh lowest among the states, below the national average of $4,074. When taking into consideration the wealth of states in the United States, the State's 2004 total of $100 General Revenue Funds collected per $1,000 of personal income ranked well below the national average of $123.

With respect to state tax collections only, the State's 2005 per capita collections of $2,069 ranked as the 22nd lowest among the states in the United States, about $120 below the national average. The State's 2005 total of $57 collected per $1,000 of personal income compares to the national average total of $63 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. Corporate income tax, personal property replacement tax, liquor tax and Insurance Privilege Tax comprise approximately 70% of the receipts into this fund. After 30 days from the date of payment into the Protest Fund, the money is to be transferred from the Protest Fund to the appropriate fund in which it would have been deposited had there been no protest. However, the party making the payment under protest may, within that 30-day period, file a complaint and secure a temporary injunction restraining the transfer from the Protest Fund. Under the injunction, the money is to remain in the Protest Fund until a final order or decree of a court determines the proper disposition of the money. As of July 31, 2007, the total Protest Fund balance was $327.3 million.

INDEBTEDNESS

SHORT-TERM DEBT

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

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

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

TABLE 7
SHORT TERM CERTIFICATES ISSUED
($ IN MILLIONS)

Date Issued	Amount Issued	Final Maturity
September 2007[1]	$1,200	November 2007
February 2007	$900	June 2007
November 2005	$1,000	June 2006
March 2005	765	June 2005
June 2004	850	October 2004
May 2003	1,500	May 2004
July 2002	1,000	June 2003
August 1995	500	June 1996
August 1994	687	June 1995
August 1993	900	June 1994
October 1992	300	June 1993
August 1992	600	May 1993
February 1992	500	October 1992
August 1991	185	June 1991
February 1987	100	February 1988
June-July 1983	200	May 1984

[1] Expected to be issued pursuant to this Preliminary Official Statement.

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 $10 billion of GO Bonds for Pension funding purposes. 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."

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The following table shows the statutory general obligation bond authorization and all GO Bonds outstanding as of closing of the June 30, 2007.

TABLE 8
GENERAL OBLIGATION BONDS
(AS OF AUGUST 15, 2007)

Authorization Category	Amount Authorized	Amount Issued	Authorized Unissued	Amount Outstanding
Anti-Pollution[1]	$ 599,000,000	$ 599,000,000	$ -	$ 6,640,000
Capital Development[1]	1,737,000,000	1,737,000,000	-	-
Coal and Energy Development[1]	35,000,000	35,000,000	-	-
School Construction[1]	330,000,000	330,000,000	-	-
Transportation Series A[1]	1,326,000,000	1,326,000,000	-	-
Transportation Series B[1]	403,000,000	403,000,000	-	-
Multi-purpose	16,927,149,369	14,866,386,352	2,060,763,017	7,608,436,432
Subtotal – New Money Bonds[2]	$21,357,149,369	$19,296,386,352	$2,060,763,017	$7,615,076,432
Refunding Bonds[2]	2,839,025,000	4,240,524,239	705,132,537	2,133,892,463
Subtotal – New Money and Refunding[2]	$24,196,174,369	$23,536,910,591	$2,765,895,554	$9,748,968,895
Pension Refunding	10,000,000,000	10,000,000,000	-	10,000,000,000
Total – Capital and Pension[2]	$34,196,174,369	$33,536,910,591	$2,765,895,554	$19,748,968,895

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

[2] The State is authorized to issue $2,839,025,000 of GO Bonds, at any time and from time to time outstanding, for the purpose of refunding any outstanding GO Bonds. The authorized unissued amount of refunding bonds is the difference between the amount authorized and the amount outstanding. Refunding bonds in the aggregate amount of $2,106,631,776 were issued, have matured or have been refunded, and are no longer outstanding

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

As of August 15, 2007 a total of $392.1 million was available in the GOBRI Fund. Since these moneys are not segregated as to amounts of principal and interest, the amounts of outstanding GO Bonds shown above have not been reduced by this $392.1 million.

INTEREST RATE EXCHANGE AGREEMENTS

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

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

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

HISTORICAL BORROWING

The following table summarizes the level of bond sales from fiscal years 2002-2008.

TABLE 9
GENERAL OBLIGATION BOND SALES
($ IN MILLIONS)

Fiscal Year	Capital Improvement	Refunding	Pension Funding
2002	$1,500.0	$ 398.5	
2003	1,710.0	627.0	$10,000.0
2004	1,175.0	617.2	-
2005	875.0	-	-
2006	925.0	275.0	-
2007	258.0	329.0	-
2008[1]	N/A	N/A	-

[1] Anticipated volume of fiscal year 2008 general obligation bond issuance is currently not available.

INDEBTEDNESS IN PRIOR YEARS

The following table shows the outstanding general obligation indebtedness of the State at the end of each fiscal year from 2002-2008.

TABLE 10
GENERAL OBLIGATION BONDS OUTSTANDING
FISCAL YEARS 2002-2008
($ 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	10,251.4	10,000.0
2007	9,925.7	10,000.0
2008[2]	9,337.9	9,950.0

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

[2] General Obligation bonds outstanding at the end of fiscal year 2008 will increase by the amount of bonds issued during fiscal year 2008. Such amount is not currently determined.

DEBT SERVICE PAYMENTS

Debt service of the State's GO Bonds is paid from the GOBRI Fund. The GOBRI Fund receives transfers from the Road Fund to pay debt service on bonds issued for Transportation A Highways purposes, from the School

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

Not including debt service on short term debt certificates as may be from time to time outstanding; the following table shows debt service payments on GO Bonds from fiscal year 2004 through 2008 and the funds from which the transfers originate.

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

	FY 04	FY 05	FY 06	FY 07	FY 08[2]
Road Fund	$194.1	$237.5	$258.5	$253.7	$255.5
School Infrastructure Fund	160.3	200.7	230.1	232.9	236.8
General Funds	581.2	660.6	664.7	693.0	694.0
General Funds-Pension[1]	481.0	496.2	496.2	496.2	546.2

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

[2] Debt Service amounts due in fiscal year 2008 will increase with the issuance of general obligation bond for related purposes during fiscal year 2008. Such amounts are not currently determined.

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 2003-2007

Fiscal Year	Total Expenditures[1] (In Millions)	Capital Improvement Bonds[2] % of Expenditures	Pension Bonds % of Expenditures
2003	26,521	3.67%	-
2004	27,090	3.45%	1.78%
2005	26,736	4.11%	1.86%
2006	27,981	4.12%	1.77%
2007	30,944	3.81%	1.60%

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

[2] Includes debt service on general obligation refunding bonds for capital improvement purposes.

TABLE 13
RATIO OF GENERAL OBLIGATION DEBT TO ILLINOIS PERSONAL INCOME
FISCAL YEARS 2003-2007

Fiscal Year	Illinois Personal Income[1] (In Billions)	Capital Improvement and Refunding Bonds % of Personal Income	Pension Bonds % of Personal Income
2003	$437.0	2.02%	2.29%
2004	411.3	2.32%	2.43%
2005	472.4	2.09%	2.12%
2006	498.2	2.06%	2.01%
2007[2]	510.6	1.94%	1.96%

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

2 GOMB estimate, assumes 2.5% increase from FY06.

TABLE 14
GENERAL OBLIGATION DEBT PER CAPITA
FISCAL YEARS 2003-2007

	2003	2004	2005	2006	2007
Population (in Thousands)[1]	12,582	12,632	12,763	12,832	12,896
Capital Improvement and Refunding Bonds	$700	$757	$775	$799	$770
Pension Bonds Debt per Capita[2]	$795	$792	$784	$779	$775

1 U.S. Department of Commerce, Bureau of the Census, July 2005

2 Approximately 73% of the Pension Bond debt per capita is offset by corresponding unfunded pension liability per capita

TABLE 15
RATIO OF GENERAL OBLIGATION DEBT TO EQUALIZED ASSESSED VALUATION[1]
FISCAL YEARS 2002-2006

Equalized Assessed Value ("EAV")		Capital Improvement and Refunding Bonds		Pension Bonds	
Year	($ Millions)	($ Millions)	% of EAV	($ Millions)	% of EAV
2002	$240,810	$7,629.9	3.17	$-	-
2003	259,727	8,812.6	3.39	10,000.0	3.85
2004	277,142	9,556.3	3.45	10,000.0	3.61
2005[1]	297,748	9,893.0	3.32	10,000.0	3.36
2006[2]	312,635	10,251.4	3.28	10,000.0	3.20

1 Estimate provided by the Illinois Department of Revenue

2 EAV assumed to increase by 5% over 2005 estimate.

TABLE 16
MATURITY SCHEDULE - GENERAL OBLIGATION BONDS

As of August 20, 2007

	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
2008	4,560,000	425,295,843	157,914,552	587,770,394	598,602,736	1,186,373,130	50,000,000	496,200,000	546,200,000	1,732,573,130
2009	2,360,000	395,008,710	158,782,434	556,151,143	593,695,734	1,149,846,878	50,000,000	494,950,000	544,950,000	1,694,796,878
2010	800,000	412,952,909	162,711,843	576,464,753	534,265,997	1,110,730,750	50,000,000	493,550,000	543,550,000	1,654,280,750
2011	-	348,117,946	207,702,085	555,820,031	517,823,947	1,073,643,978	50,000,000	491,900,000	541,900,000	1,615,543,978
2012	-	326,470,910	188,762,529	515,233,439	467,419,470	982,652,909	100,000,000	490,125,000	590,125,000	1,572,777,909
2013	-	244,030,751	276,580,000	520,610,751	426,265,828	946,876,579	100,000,000	486,375,000	586,375,000	1,533,251,579
2014	-	245,489,607	276,470,000	521,959,607	380,121,731	902,081,338	100,000,000	482,525,000	582,525,000	1,484,606,338
2015	-	373,535,720	168,625,000	542,160,720	329,422,919	871,583,638	100,000,000	478,575,000	578,575,000	1,450,158,638
2016	-	401,186,341	128,665,000	529,851,341	304,408,946	834,260,286	100,000,000	474,525,000	574,525,000	1,408,785,286
2017	-	397,476,341	104,570,000	502,046,341	272,542,453	774,588,794	125,000,000	470,175,000	595,175,000	1,369,763,794
2018	-	384,107,806	94,625,000	478,732,806	236,422,128	715,154,934	150,000,000	464,737,500	614,737,500	1,329,892,434
2019	-	362,512,317	82,560,000	445,072,317	209,748,495	654,820,813	175,000,000	458,212,500	633,212,500	1,288,033,313
2020	-	347,661,629	71,610,000	419,271,629	190,456,696	609,728,325	225,000,000	449,550,000	674,550,000	1,284,278,325
2021	-	323,055,883	80,075,000	403,130,883	162,969,434	566,100,317	275,000,000	438,412,500	713,412,500	1,279,512,817
2022	-	371,057,410	7,670,000	378,727,410	132,911,290	511,638,700	325,000,000	424,800,000	749,800,000	1,261,438,700
2023	-	370,492,922	-	370,492,922	119,001,740	489,494,663	375,000,000	408,712,500	783,712,500	1,273,207,163
2024	-	334,653,968	-	334,653,968	94,759,303	429,413,271	450,000,000	390,150,000	840,150,000	1,269,563,271
2025	-	293,388,835	-	293,388,835	81,134,707	374,523,542	525,000,000	367,200,000	892,200,000	1,266,723,542
2026	-	278,030,000	-	278,030,000	63,897,542	341,927,542	575,000,000	340,425,000	915,425,000	1,257,352,542
2027	-	266,945,000	-	266,945,000	50,025,833	316,970,833	625,000,000	311,100,000	936,100,000	1,253,070,833
2028	-	232,605,000	-	232,605,000	36,896,250	269,501,250	700,000,000	279,225,000	979,225,000	1,248,726,250
2029	-	201,370,000	-	201,370,000	25,476,917	226,846,917	775,000,000	243,525,000	1,018,525,000	1,245,371,917
2030	-	146,260,000	-	146,260,000	17,692,917	163,952,917	875,000,000	204,000,000	1,079,000,000	1,242,952,917
2031	-	102,215,000	-	102,215,000	11,528,083	113,743,083	975,000,000	159,375,000	1,134,375,000	1,248,118,083
2032	-	43,335,000	-	43,335,000	7,610,000	50,945,000	1,050,000,000	109,650,000	1,159,650,000	1,210,595,000
2033	-	42,625,000	-	42,625,000	5,406,833	48,031,833	1,100,000,000	56,100,000	1,156,100,000	1,204,131,833
2034	-	80,795,000	-	80,795,000	2,323,333	83,118,333	-	-	-	83,118,333
2035	-	-	-	-	-	-	-	-	-	-
Total	7,720,000	7,750,675,846	2,167,323,443	9,925,719,289	5,872,831,263	15,798,550,552	10,000,000,000	9,964,075,000	19,964,075,000	35,762,625,552

General Obligation Debt Service payments for Fiscal Year 2008, as of August 20, 2007:

02 Mos.	1,080,000	142,239,415	33,430,980	176,750,394	202,980,766	379,731,160	-	-	-	379,731,160
10 Mos.	3,480,000	283,056,428	124,483,572	411,020,000	395,621,970	806,641,970	50,000,000	496,200,000	546,200,000	1,352,841,970
FY 2008	4,560,000	425,295,843	157,914,552	587,770,394	598,602,736	1,186,373,130	50,000,000	496,200,000	546,200,000	1,732,573,130

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 AUGUST 20, 2007)

Revenue Bond Program	Bonds Outstanding
Build Illinois (Sales Tax Revenue Bonds)	$2,238,864,988
Metropolitan Exposition and Auditorium Authorities - Civic Center Program	115,720,732
MPEA[1] - Dedicated State Tax Revenue Bonds	182,625,000
MPEA[1,2] - McCormick Place Expansion Project and Refunding Bonds	2,154,667,821
Illinois Sports Facilities Authority	474,478,042
Illinois Certificates of Participation	25,910,000
Total	**$5,192,266,582**

1 Metropolitan Pier and Exposition Authority ("*MPEA*")

2 Bonds outstanding include capital appreciation bonds expressed in the amount of original principal issuance

BUILD ILLINOIS

The Build Illinois program funds initiatives in business development, infrastructure construction and replacement, education, and environmental protection. The Build Illinois Bonds are dedicated State tax revenue bonds. The current Build Illinois bond authorization is $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 GO Bond Act.

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

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

METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITIES—CIVIC CENTER PROGRAM

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

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

Metropolitan Pier and Exposition Authority—Dedicated State Tax Revenue Bonds

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

Metropolitan Pier and Exposition Authority—Expansion Project Bonds

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

Illinois Sports Facilities Authority

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

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

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

Certificates of Participation

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

OTHER OBLIGATIONS

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

The State has additional contingent liabilities in the form of Moral Obligation Bonds which provide for presentation of an appropriation request to the General Assembly for debt service deficiencies – see “MORAL OBLIGATION BONDS”, and a statutory Continuing Appropriation of General Funds for lump-sum payments in excess of available loan loss reserves for certain guaranteed loan programs – see “AGRICULTURAL LOAN GUARANTEE PROGRAMS”.

TABLE 18
REVENUE BOND MATURITY SCHEDULE ESTIMATED
AS OF AUGUST 20, 2007

Year Ending June 30	Build Illinois	MPEA D.S.T.R.B.	MPEA Expansion Project	Civic Center Program	Sports Facilities Authority	Illinois Certificates of Participation	Total Principal	Total Interest	Total Debt Service
2008	138,112,846	21,170,000	33,190,032	7,610,000	11,341,388	1,750,000	213,174,266	252,239,293	465,413,559
2009	137,071,350	22,515,000	40,601,052	8,100,000	12,906,033	1,850,000	223,043,434	249,085,678	472,129,113
2010	141,375,756	24,015,000	50,936,819	8,595,000	14,465,316	1,945,000	241,332,891	237,197,939	478,530,830
2011	142,754,169	25,595,000	63,289,090	9,085,000	2,786,432	2,055,000	245,564,692	233,814,691	479,379,383
2012	142,063,399	26,735,000	38,426,743	9,555,000	3,787,861	2,170,000	222,738,003	257,281,661	480,019,664
2013	145,412,124	28,145,000	36,491,366	10,095,000	4,742,354	2,305,000	227,190,844	256,318,939	483,509,784
2014	152,939,306	29,600,000	35,991,812	10,705,000	5,649,695	2,440,000	237,325,813	248,669,854	485,995,667
2015	150,946,038	4,850,000	36,234,751	11,415,000	6,517,832	2,590,000	212,553,621	248,119,275	460,672,896
2016	152,000,000	-	45,846,956	12,020,000	7,363,337	2,750,000	219,980,293	232,267,792	452,248,085
2017	136,980,000	-	50,075,228	5,488,409	8,151,095	2,915,000	203,609,733	238,290,032	441,899,764
2018	122,220,000	-	50,037,243	5,668,835	6,355,418	3,140,000	187,421,496	245,834,898	433,256,394
2019	109,230,000	-	57,165,083	5,875,462	6,569,442	-	178,839,987	245,090,398	423,930,385
2020	93,185,000	-	65,259,453	6,103,026	6,977,726	-	171,525,206	245,094,114	416,619,320
2021	78,495,000	-	104,202,400	5,405,000	7,374,846	-	195,477,246	208,330,279	403,807,525
2022	72,785,000	-	81,118,012	-	7,767,537	-	161,670,549	243,719,520	405,390,069
2023	60,460,000	-	140,272,495	-	8,156,172	-	208,888,667	198,561,950	407,450,616
2024	53,200,000	-	80,281,436	-	8,543,953	-	142,025,388	258,272,890	400,298,279
2025	52,005,000	-	85,297,449	-	8,891,669	-	146,194,118	253,596,949	399,791,067
2026	50,080,000	-	149,351,189	-	14,950,731	-	214,381,920	184,461,404	398,843,324
2027	41,265,000	-	180,115,836	-	31,842,372	-	253,223,208	138,219,117	391,442,325
2028	35,160,000	-	162,087,687	-	36,240,797	-	233,488,485	153,812,927	387,301,411
2029	14,125,000	-	169,405,321	-	41,040,210	-	224,570,531	144,334,519	368,905,050
2030	11,000,000	-	10,277,690	-	52,405,825	-	73,683,515	291,267,035	364,950,550
2031	6,000,000	-	9,145,954	-	75,355,000	-	90,500,954	274,131,221	364,632,175
2032	-	-	8,140,997	-	84,295,000	-	92,435,997	271,068,428	363,504,425
2033	-	-	7,243,844	-	-	-	7,243,844	267,750,831	274,994,675
2034	-	-	6,447,732	-	-	-	6,447,732	268,546,943	274,994,675
2035	-	-	5,737,216	-	-	-	5,737,216	269,257,459	274,994,675
2036	-	-	5,107,150	-	-	-	5,107,150	269,887,525	274,994,675
2037	-	-	4,545,622	-	-	-	4,545,622	270,449,053	274,994,675
2038	-	-	4,043,951	-	-	-	4,043,951	270,950,724	274,994,675
2039	-	-	3,600,523	-	-	-	3,600,523	271,394,152	274,994,675
2040	-	-	3,202,467	-	-	-	3,202,467	271,792,208	274,994,675
2041	-	-	66,137,223	-	-	-	66,137,223	208,857,452	274,994,675
2042	-	-	265,360,000	-	-	-	265,360,000	9,638,738	274,998,738
Total	2,238,864,988	182,625,000	2,154,667,821	115,720,732	474,478,042	25,910,000	5,192,266,582	8,187,605,888	13,379,872,470

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

MORAL OBLIGATION BONDS

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

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

TABLE 19
MORAL OBLIGATION BOND AUTHORITIES' DEBT[1]
(AS OF JUNE 30, 2007, $ IN MILLIONS)

Issuing Authority	**Moral Obligation Bonds Outstanding**
Illinois Housing Development Authority	$ 0.3
Southwestern Illinois Development Authority	43.3
Quad Cities Regional Economic Development Authority	0.0
Upper River Valley Development Authority	22.6
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]	106.9
Total	$173.1

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

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

From time to time, the State has received notices from certain entities which have issued Moral Obligation Bonds that insufficient monies are available for the payment of principal and interest on one or more series of Moral Obligation Bonds or that amounts withdrawn from bond reserve funds to pay principal and interest on Moral Obligation Bonds have not been replenished. The aggregate principal amount of the 15 requested appropriations to date is approximately $11 million. Including the amounts requested in the FY07 budget, all such amounts have been appropriated by the General Assembly.

The State does not have a legal obligation to pay any such amounts and cannot predict whether appropriations for such amounts will be enacted. No assurance can be given that future requests for State appropriation will not be received by the State or that such requests will not be for material amounts. Further, no assurance can be given that an appropriation would be enacted with respect to such future request.

AGRICULTURAL LOAN GUARANTEE PROGRAM

The Illinois Finance Authority (the "*IFA*", as successor to the Illinois Farm Development Authority), is authorized at 20 ILCS 3501 Article 830 et. seq., (the "*Loan Program*"), to issue up to $235 million in guarantees for loans by financial institutions ("*Secured Lenders*") to agriculture and agribusiness Borrowers. Under the Program, Secured Lenders may receive a lump-sum payment up to a maximum of 85% of a remaining loan balance in the event of a default. The IFA currently maintains two reserve funds, (i) The Illinois Agricultural Loan Fund, and (ii) The Illinois Farmer & Agribusiness Loan Guarantee Fund (collectively, the "*Reserve Funds*"), from which default lump-sum payments may be made. As of December 31, 2006, the available balances in the Reserve Funds held by the IFA were $10.8 million and $8.1 million, respectively.

These Reserve Funds are further backed by a "continuing appropriation" of the State's General Funds as a full faith and credit general obligation of the State. As of December 31, 2006, the IFA Loan Programs secure: (i) 221 loans in the amount of $52.2 million in Illinois Agricultural Loans and (ii) 91 loans in the amount of $49.5 million Illinois Farmer & Agribusiness Loans. In total, 85 percent of these two Loan Programs or $86.5 million is guaranteed by the State. To date, there has not been a required transfer from the State's General Funds for default lump-sum payments under the Loan Program.

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

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

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PENSION SYSTEMS

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

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

Pursuant to the Illinois Pension Code, as amended (the "*Pension Code*"), the State and active employee members of the systems are responsible for funding employer contributions of the Retirement Systems. The Illinois Constitution guarantees that members' retirement benefits, once granted, cannot be diminished or impaired.

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

Actuarial services are retained by each Retirement System to report on its aggregate membership, fair market value of assets, the actuarially determined aggregate liability for benefits, and its Unfunded Accrued Actuarial Liability (or "*UAAL*"). The most recently available Actuary Reports as of fiscal year ending June 30, 2006 are summarized for all Retirement Systems:

- Total membership of 677,738 consisting of 305,989 active members, 188,973 inactive members entitled to benefits and 182,776 retired members and beneficiaries.
- Approximately \$62.3 billion of assets at fair market value, approximately \$103.1 billion in actuarially determined accrued liability, and a UAAL of approximately \$40.7 billion, or a funded ratio of 60.5%, which increased slightly from a funded ratio of 60.3% as of June 30, 2005.

The following chart sets forth the number of participants, assets, liabilities and UAAL for each individual Retirement System as of June 30, 2006:

TABLE 20
RETIREMENT SYSTEMS' PENSION FUND STATISTICS

	Participants(As of June 30, 2006)				\$ in millions (As of June 30, 2006)		
Retirement System	**Active Members**	**Inactive / Entitled to Benefits**	**Retirees and Beneficiaries**	**Total**	**Assets[1]**	**Liabilities[2]**	**UAAL**
TRS	155,946	94,594	85,153	335,693	\$36,584.9	\$58,996.9	\$22,412.0
SURS	80,869	72,606	41,638	195,113	14,175.1	21,689.0	7,513.9
SERS	68,075	21,660	54,678	144,413	10,899.9	20,874.5	9,974.6
JRS	917	30	912	1,859	599.2	1,291.4	692.2
GARS	182	83	395	660	82.3	221.7	139.4
Total	**305,989**	**188,973**	**182,776**	**677,738**	**\$62,341.4**	**\$103,073.5**	**\$40,732.1**

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

[2] Actuarially determined accrued cost of projected benefits.

STATE LAW REQUIREMENTS FOR RETIREMENT SYSTEMS FUNDING

State law regulates the State's funding of the Retirement Systems. Public Act 88-593, effective July 1, 1995, created a 50-year funding schedule for the Retirement Systems which requires the State to contribute each year, starting with fiscal year 2011, the level percentage of payroll sufficient to cause the assets of the Retirement Systems to equal 90 percent of the total accrued liabilities by the end of fiscal year 2045. In fiscal years 1997 through 2010, contributions as a percentage of payroll are increased each year such that by fiscal year 2010, the contribution rate is at the same level as required for years 2011 through 2045. The legislation also provided for continuing appropriations to the Retirement Systems beginning in fiscal year 1996. This provision requires the State to provide contributions to the Retirement Systems without being subject to the annual appropriation process. Except as provided for fiscal years 2006 and 2007 in connection to certain pension benefit reform measures pursuant to Public Act 94-4 (described below), in the event that the General Assembly fails to appropriate the amounts certified by the Retirement Systems, Public Act 88-593 provides for payments to be transferred by the Comptroller and the Treasurer to the Retirement Systems, in amounts sufficient to meet their requirements.

ISSUANCE OF GO PENSION FUNDING BONDS AND ALLOCATION OF PROCEEDS

On June 12, 2003, the State issued $10 billion of GO Pension 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, except as provided expressly in connection with the Pension Act for fiscal years 2006 and 2007, will be decreased by the debt service payments for such fiscal year on the then outstanding GO Pension Funding Bonds to reflect the proceeds already received. Contributions for each fiscal year with respect to each Retirement System will not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under the provisions of the Pension Code if such Retirement System had not received its allocation of net proceeds of GO Pension 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 net UAAL.

PUBLIC ACT 94-4

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

- New benefit increases are prohibited unless there is a specifically identified adequate additional funding source upon adoption of the benefit, and that all such benefit increases will expire five years after their effective date, unless extended by an act of the General Assembly.

- The Money Purchase Option is discontinued for TRS and SURS for participants employed after July 1, 2005. The Option provides that a member is entitled to an annuity computed under the defined benefit formula or the Money Purchase Option, whichever is greater. Employee contributions are matched at 140% and converted to an actuarially equivalent annuity. Under the Pension Act, the Illinois Comptroller assumes the role of setting each one-year Money Purchase Rate for grandfathered participants (those employed prior to July 1, 2005). Taking into account historical and projected future SURS assets performance, and giving affect to certain constitutional provisions, the Comptroller set the 2007 Money Purchase Option rate to 8.0%, a downward revision from 8.5% for 2006.

- Local employers must fund the additional cost of pension benefits attributable to pay increases during the final four years of employment that exceed 6%.

- The Early Retirement Option (ERO) for TRS, which replaces the ERO that expired June 30, 2005, increases the required member and school district contributions and increases the service requirement for unreduced benefits from 34 to 35 years. TRS members who have notified their employer by June 1, 2005 of their intent to retire by July 1, 2007 remain eligible to retire under the prior ERO.
- Local employers are required to pay the normal cost related to sick leave granted in excess of the normal allotment.
- Payments into the Retirement Systems for fiscal year 2006 and 2007 are set to $1,431.7 million and $1,868.9 million respectively, which include debt service of approximately $496 million each year required for the GO Pension Funding Bonds issued in fiscal year 2003. Contributions for normal and unfunded pension costs will resume under the 50-year funding schedule pursuant to Public Act 88-593 beginning in fiscal year 2008, adjusted for debt service on the GO Pension Funding Bonds as described further herein.

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 2002 through fiscal year 2006.

TABLE 21
PENSION SYSTEMS DEGREE OF FUNDING
FISCAL YEARS ENDING JUNE 30TH 2002-2006
($ IN MILLIONS)

Fiscal Year	Total Assets[1]	Liabilities[2]	Ratio (%)
2002	40,252.6	75,198.2	53.5%
2003	40,721.2	83,825.2	48.6%
2004	54,738.9	89,832.4	60.9%
2005	58,577.8	97,178.1	60.3%
2006	62,341.4	103,073.5	60.5%

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

[2] Actuarially determined accrued cost of projected benefits.

In FY04, in addition to its then current obligations to the Retirement Systems for FY04 in the amount of $1.86 billion, the State appropriated approximately $7.3 billion to the Retirement Systems from the proceeds of the GO Pension Funding Bonds previously discussed.

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

FINANCIAL DATA FOR RETIREMENT SYSTEMS

The tables that follow provide information on the assets, liabilities, income and expenses for each Retirement System for FY02 - 06. The data were obtained from the audited financial statements of the Retirement Systems.

TABLE 22
STATE RETIREMENT SYSTEMS
FISCAL YEAR 2006
($ IN THOUSANDS)

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

[1] The SURS Self Managed Plan (SMP) is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.
[2] Reflects valuation of assets on a market basis as of June 30, 2006, per GASB Statement 25.
[3] Actuarially determined accrued benefit costs.
Note: Numbers may not add due to rounding.

TABLE 23

STATE RETIREMENT SYSTEMS
FISCAL YEAR 2005
($ IN THOUSANDS)

	SERS	**TRS**	**SURS**	**GARS**	**JRS**	**Total**	**Self Managed Plan State Universities**[1]
Begin, Net Assets[2]	9,990,186.9	31,544,729.3	12,586,304.7	83,208.0	534,579.8	54,739,008.7	275,074.9
Income							
Member contributions	209,334.2	761,790.0	251,939.6	1,451.3	13,268.5	1,237,783.6	33,645.8
State contributions	427,464.6	906,749.4	285,423.3	4,675.0	32,043.0	1,656,355.3	27,411.7
Investment income	953,579.2	3,330,039.2	1,279,618.1	7,642.5	50,849.0	5,621,728.0	22,346.7
Other		168,813.0				168,813.0	
Expenditures						-	
Benefits	1,063,970.4	2,553,102.9	1,004,452.2	13,363.3	64,539.6	4,699,428.4	917.5
Refunds	14,105.3	59,395.8	35,775.9	23.2	740.5	110,040.7	7,380.9
Administration	8,311.3	14,403.7	12,087.1	317.1	460.8	35,580.0	
Other			692.8			692.8	
Equity Transfer							
Ending Net Asset Balance	10,494,147.9	34,085,218.5	13,350,277.6	83,273.2	564,999.4	58,577,916.6	350,180.7
Actuarial Liabilities[3]	19,304,646.6	56,075,029.0	20,349,000.0	212,905.7	1,236,512.1	97,178,093.4	N/A
Unfunded Accrued Liability	8,810,498.7	21,989,810.5	6,998,722.4	129,632.5	671,512.7	38,600,176.8	N/A
Asset/Liability Ratio	54.4%	60.8%	65.6%	39.1%	45.7%	60.3%	N/A

[1] The SURS Self Managed Plan (SMP) is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.
[2] Reflects valuation of assets on a market basis as of June 30, 2005, per GASB Statement 25.
[3] Actuarially determined accrued benefit costs.
Note: Numbers may not add due to rounding.

Table 24
State Retirement Systems
Fiscal Year 2004
($ in Thousands)

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

[1] The SURS SMPis not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.
[2] Reflects valuation of assets on a market basis as of June 30, 2004, per GASB Statement 25.
[3] Actuarially determined accrued benefit costs.
Note: Numbers may not add due to rounding.

TABLE 25
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 SURS SMPis not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.

2 Reflects valuation of assets on a market basis as of June 30, 2003, 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 2002
($ IN THOUSANDS)

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

[1] The SURS SMPis not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.

[2] Reflects valuation of assets on a market basis as of June 30, 2002, per GASB Statement 25.

[3] Actuarially determined accrued benefit costs.

Note: Numbers may not add due to rounding.

ADDITIONAL INFORMATION

The information contained in this Official Statement is subject to change without notice and no implication may or shall be derived there from or from the sale of the Certificates 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 Certificates.

FINANCIAL ADVISOR

D. A. Davidson and Company, Chicago, Illinois, has been retained by the State to serve as Financial Advisor with respect to the Certificates (the "*Financial Advisor*"). The Financial Advisor has assisted the State in matters relating to the planning, structuring and issuance of the Certificates and various other debt related matters.

MISCELLANEOUS

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

The State has authorized the distribution of this Official Statement.

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APPENDIX A

CERTAIN INFORMATION REGARDING THE STATE OF ILLINOIS

Economic Data

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

Table A-1

PAYROLL JOBS BY INDUSTRY[1] – APRIL 2007
(Thousands)

Industry Employment Sector	Illinois	% of Total	U.S.	% of Total
Natural Resources and Mining	10	0.2%	712	0.5%
Construction	280	4.7%	7,683	5.6%
Information and Financial Activities	526	8.8%	11,522	8.4%
Manufacturing	681	11.4%	14,104	10.3%
Trade, Transportation and Utilities	1,202	20.1%	26,406	19.2%
Professional and Business Services	864	14.4%	17,840	13.0%
Education and Health Services	775	12.9%	18,167	13.2%
Leisure and Hospitality	534	8.9%	13,433	9.8%
Other Services	260	4.3%	5,509	4.0%
Government	857	14.3%	22,182	16.1%
Total	5,989	100.0%	137,558	100.1%

Source: U.S. Department of Labor, Bureau of Labor Statistics, April 2007.

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

Table A-2

NON-AGRICULTURAL PAYROLL JOBS BY INDUSTRY
ILLINOIS - 2003 THROUGH JANUARY 2007
(Thousands)

Industry Employment Sector	2003	2004	2005	2006	2007
Total Non-Agricultural Employment	5,819	5,827	5,931	5,970	5,975
Natural Resources and Mining	9	9	10	10	10
Construction	270	265	275	279	280
Manufacturing	720	699	688	679	679
Non-Durable Goods	287	276	270	266	260
Durable Goods	433	423	418	413	419
Trade, Transportation and Utilities	1,184	1,201	1,223	1,217	1,202
Wholesale Trade	306	300	304	309	310
Retail Trade	622	641	658	644	630
Transportation and Utilities	256	260	261	264	262
Information and Financial Activities	525	519	524	532	526
Professional and Business Services	784	799	837	858	864
Education and Health Services	723	731	758	759	775
Leisure and Hospitality	497	509	512	532	534
Other Services	250	257	260	261	260
Government	857	838	844	843	845

Source: U.S. Department of Labor, Bureau of Labor Statistics, April 2007.

Agriculture

Illinois ranks prominently among states for agricultural activity and exports. Tables A-3 and A-4 summarize key agricultural production statistics including rank among all states for the years 2001 to 2005.

Table A-3

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

	2001	2002	2003	2004	2005	2005 Rank
Crops	$5,472	$6,160	$6,716	$6,993	$6,859	2
Livestock	1,835	1,549	1,798	1,938	1,988	24
Total	$7,307	$7,709	$8,514	$8,931	$8,847	6

Source: U.S. Department of Agriculture-Economic Research Service December 2005.

Table A-4

AGRICULTURAL EXPORTS
Federal Fiscal Year 2005
($ in Millions)

Agricultural Exports	U.S. Total	Illinois Share	% of U.S.	Rank
All Commodities	$62,369	$3,282	5.3%	4
Feed Grain and Products	6,944	971	13.9%	2
Soybeans and Products	8,843	1,272	14.4%	2

Source: U.S. Department of Agriculture-Economic Research Service December 2005.

Contracts For Future Construction

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

Table A-5

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

	Future Contracts for Residential, Non-residential and Non-building Construction[1]	Residential Building Activity (Privately-Owned Housing Units)[2]	
Year	**Valuation**	**Permits**	**Valuation**
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	21,823	62,268	9,551
2005	24,300	66,942	10,960
2006	24,306	58,866	9,4702

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

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 December 31, 2006, there were 603 commercial and savings banks in Illinois with total assets of $329 billion. Additionally, there were 55 OTS-regulated and FDIC-insured thrift institutions in Illinois with total assets of $35.6 billion.

The 5 largest banks listing Illinois headquarters are LaSalle National Bank, The Northern Trust Company, Harris Bank, National City Bank of the Midwest and Corus Bank. LaSalle National Bank (a subsidiary of ABN AMRO) with $71 billion in assets maintains its headquarters in Chicago. The Northern Trust Company, a domestically owned banking corporation with $47 billion in assets also maintains its corporate headquarters in Chicago. Harris Bank (owned by Bank of Montreal) with $41 billion in assets also maintains its corporate headquarters in Chicago. National City Bank of the Midwest has $26 billion in assets. Corus Bank has $9 billion in assets. Together, these banks have more than $193 billion in assets.

Source: Federal Deposit Insurance Corporation and Office of Thrift Supervision, January 2007.

Personal Income

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

Table A-6

PERSONAL INCOME
($ in Billions)

	1990	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Illinois	$238	$410.3	$416.0	$437.1	$411.3	$472.0	$498.2
United States	4,886	8,703.0	8,900.0	9,380.5	9,705.5	10,464.7	$11,043.5

Table A-7

PER CAPITA PERSONAL INCOME
($ in Billions)

	1990	**2002**	**2003**	**2004**	**2005**	**2006**	**Rank**
Illinois	$20,824	$33,053	$33,205	$34,721	$36,264	38,215	13
United States	19,477	30,906	31,459	33,050	34,471	36,276	--
Ten Most Populous States:							
New Jersey	$17,421	$29,039	$40,002	$41,626	$43,831	$46,344	1
New York	21,638	32,289	32,296	38,264	39,967	42,392	2
California	24,572	33,461	33,403	35,219	36,936	38,956	3
Illinois	**20,824**	**33,053**	**33,205**	**34,721**	**36,264**	**38,215**	**4**
Pennsylvania	18,922	29,816	31,706	33,312	34,937	36,680	5
Florida	19,867	31,116	29,972	31,469	34,001	35,798	6
Texas	23,523	35,085	29,076	30,732	32,460	34,257	7
Michigan	18,743	29,195	31,196	32,079	32,804	33,847	8
Ohio	19,564	29,758	29,953	31,161	31,860	33,338	9
Georgia	17,603	28,821	29,259	29,782	30,914	31,891	10
Great Lakes States:							
Illinois	**$20,824**	**$33,053**	**$33,205**	**$34,721**	**$36,264**	**$38,215**	**1**
Wisconsin	18,072	30,050	30,723	32,166	33,278	34,701	2
Michigan	18,743	29,195	31,196	32,079	32,804	33,847	3
Ohio	19,564	29,247	29,953	31,161	31,860	33,338	4
Indiana	17,491	28,032	28,797	30,204	31,173	32,526	5
Average	18,599	28,825	29,982	31,848	33,076	34,525	

Employment

According to the Illinois Department of Employment Security, the State's aggregate unemployment rate as of April 2007 is 4.6%.

Table A-8

NUMBER OF UNEMPLOYED

	2002	2003	2004	2005	2006	2007
United States	8,338,000	8,774,000	8,149,000	7,591,000	7,001,000	6,900,000
Illinois	417,693	427,573	398,047	370,810	297,631	326,426*
Bloomington-Normal MSA	3,245	3,414	3,842	3,688	3,093	3,358*
Champaign-Urbana MSA	4,926	5,098	5,283	5,022	4,530	3,756*
Chicago PMSA	317,101	317,912	294,099	278,513	217,021	233,427*
Quad Cities Region	10,377	10,858	10,392	9,454	8,487	9,180*
Decatur MSA	4,279	4,089	3,637	3,312	2,917	3,083*
Kankakee MSA	3,465	3,760	3,889	3,466	3,095	3,711*
Peoria-Pekin MSA	10,516	11,163	10,232	9,197	7,939	9,024*
Rockford MSA	12,171	13,262	12,249	10,924	9,191	10,550*
Springfield MSA	5,292	5,864	5,797	5,231	4,832	5,220*
St. Louis MSA, IL portion	19,389	21,021	21,135	19,731	18,221	21,559**

*as of April 2007
**as of March 2007

Table A-9

UNEMPLOYMENT RATE (%)

	2002	2003	2004	2005	2006	2007
United States	5.8	6.0	5.5	5.1	4.5	4.5
Illinois	6.5	6.7	6.2	5.7	4.2	4.6*
Bloomington-Normal MSA	3.7	4.0	4.5	4.2	3.4	3.8*
Champaign-Urbana MSA	4.3	4.4	4.5	4.2	3.7	4.1*
Chicago PMSA	6.7	6.8	6.2	5.9	4.5	4.8*
Quad Cities Region	5.8	6.2	5.4	4.7	4.3	5.3*
Decatur MSA	8.1	7.9	6.9	6.2	5.3	5.7*
Kankakee MSA	6.7	7.3	7.5	6.5	5.6	6.7*
Peoria-Pekin MSA	5.7	6.1	5.5	4.8	4.0	4.5*
Rockford MSA	7.4	8.1	7.4	6.5	5.3	6.1*
Springfield MSA	4.7	5.4	5.3	4.6	4.2	4.6*
St. Louis MSA, IL portion	5.9	6.2	5.4	4.7	4.3	5.3**

*as of April 2007
**as of March 2007

Source: U.S. Department of Labor, Bureau of Labor Statistics, April 2007

Population

Illinois is the nation's fifth most populous state. The State's population is approximately 12.63 million according to the U.S Bureau of the Census for calendar year 2005.

Table A-10

POPULATION
ILLINOIS AND SELECTED METROPOLITAN STATISTICAL AREAS

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

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

Organization

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

The Illinois Constitution provides that all elected officials of the Executive Branch of the State Government hold office for four-year terms. Pursuant to the 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.

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APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

September __, 2007

State of Illinois
State Capitol
Springfield, Illinois

Re: $1,200,000,000 State of Illinois General Obligation Certificates of September, 2007

Ladies and Gentlemen:

We hereby certify that we have examined a certified copy of the proceedings of the Governor of the State of Illinois (the "State"), the Comptroller of the State and the Treasurer of the State authorizing the issue by the State of its fully registered $1,200,000,000 aggregate principal amount General Obligation Certificates of September, 2007 (the *"Certificates"*). The Certificates are authorized and issued pursuant to Section 9(c) of Article IX of the Constitution of the State and the Short Term Borrowing Act, as amended (the *"Act"*), of the State. The Certificates are dated the date hereof, and mature on the date and are issued in the aggregate principal amounts set forth below:

Issuance	Maturity	Amount
September 25, 2007	November 9, 2007	$1,200,000,000

The Certificates are not subject to redemption prior to maturity.

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

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

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

Subject to the condition that the State comply with certain covenants made to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the *"Code"*), under present laws interest on the Certificates 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. Such Interest is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the State to comply with such covenants could cause the interest on the Certificates to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Certificates. Ownership of the Certificates may result in other federal income tax consequences to taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates. In rendering this option, we have relied upon certificates of the State with respect to certain material facts solely within the State's knowledge relating to the property financed with the proceeds of the Certificates and the application of the proceeds of the Certificates.

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.

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

Very truly yours,

APPENDIX C

GLOBAL BOOK-ENTRY SYSTEM

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

The Depository Trust Company, New York, New York ("*DTC"*), will act as securities depository for the Certificates. The Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity and will be deposited with DTC. So long as Cede & Co. is the registered owner of the Certificates, as DTC's partnership nominee, reference herein to the Holders or registered owners of the Certificates shall mean Cede & Co. and shall not mean the beneficial owners of the Certificates.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners of the Certificates will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as redemptions, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

Principal and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the State or the Trustee, as bond registrar and paying agent for the Certificates (the “Bond Registrar”) on each 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 Direct and Indirect Participants and not of DTC (nor its nominee), the State or the Bond Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest 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 the Direct and the Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the State and the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Series September 2007 Bond Certificates are required to be printed and delivered.

The State may also decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series September 2007 Bond Certificates are required to be printed and delivered to DTC.

The State and the Bond Registrar cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants, will distribute to the Beneficial Owners of the Certificates (a) payments of principal of, premium, if any, or interest on the Certificates, (b) confirmations of their ownership interests in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the Certificates, or that they will do so on a timely basis or that DTC, the Direct Participants or the Indirect Participants, will serve and act in the manner described in this Official Statement. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

Neither the State nor the Bond Registrar will have any responsibility or obligations to the Direct Participants, Indirect Participants or the Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (2) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal amount of or redemption price or interest on the Certificates; (3) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted to be given to Holders under the terms of the Trust Indenture; (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Certificates; or (5) any consent given or other action taken by DTC as Holder.

APPENDIX D

LIMITED CONTINUING DISCLOSURE UNDERTAKING

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

MATERIAL EVENTS DISCLOSURE

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

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

CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION

If the State fails to comply with any provision of the Undertaking, the beneficial owner of any 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 Certificate Order, and the sole remedy under the Undertaking in the event of any failure of the State to comply with the Undertaking shall be an action to compel performance.

AMENDMENT; WAIVER

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

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

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

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Certificates, 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 Certificates under the Certificate Order. The State shall give timely notice to each NRMSIR or to the MSRB and to the SID, if any, if there is such a termination.

ADDITIONAL INFORMATION

Nothing in the Undertaking will be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any 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.