<u>NEW ISSUE</u> – BOOK-ENTRY ONLY **RATINGS: SEE "RATINGS"**

In the separate opinions of Chapman and Cutler LLP, Chicago, Illinois, and Pugh, Jones & Johnson, P.C. ("Co-Bond Counsel"), under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Bonds is not exempt from present State of Illinois income taxes. See "TAX MATTERS" herein for a more complete discussion.

$500,000,000
STATE OF ILLINOIS
General Obligation Bonds,
Series of May 2018

$450,000,000 Series of May 2018A
$50,000,000 Series of May 2018B

Dated: Date of Delivery **Due: As shown on the inside cover**

This Official Statement contains information relating to the State of Illinois (the "State") and the State's general obligation bonds, to be issued as General Obligation Bonds, Series of May 2018, in two separate series (together, the "Bonds"). The Bonds will be issued only as fully registered book-entry bonds in denominations of $5,000 or any integral multiple of that amount. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, and held under DTC's global book-entry system. The Bonds will mature on the dates, in the principal amounts, bear interest at the rates per annum and have the prices, yields and CUSIP numbers as shown on the inside cover of this Official Statement. Interest on the Bonds will be payable on May 1 and November 1 of each year, commencing on November 1, 2018.

The Bonds are subject to redemption prior to maturity as set forth herein.

The Bonds are direct, general obligations of the State, secured by a pledge of its full faith and credit. The Bonds are issued under the General Obligation Bond Act of the State of Illinois, as amended, to provide funds to finance capital projects under the State's capital program, information technology projects and to pay costs of issuance of the Bonds.

The Bonds are offered when, as and if issued by the State and received by the Purchasers, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Chapman and Cutler LLP, Chicago, Illinois, and Pugh, Jones & Johnson, P.C., Co-Bond Counsel, and certain other conditions. Chapman and Cutler LLP, Chicago, Illinois, is also acting as Disclosure Counsel to the State. It is expected that beneficial interests in the Bonds will be available for delivery through the facilities of DTC on or about May 9, 2018.

BOFA MERRILL LYNCH
Senior Manager

BLAYLOCK VAN, LLC ***Co-Manager***	**IFS SECURITIES** ***Co-Manager***	**OPPENHEIMER & CO., INC.** ***Co-Manager***

Dated: April 25, 2018

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

$450,000,000 General Obligation Bonds, Series of May 2018A

Due May 1	Principal Amount	Interest Rate	Yield	Price	CUSIP*
2019	$18,000,000	5.000%	2.960%	101.951	452152V81
2020	18,000,000	5.000%	3.320%	103.189	452152V99
2021	18,000,000	5.000%	3.690%	103.661	452152W23
2022	18,000,000	5.250%	3.900%	104.928	452152W31
2023	18,000,000	5.250%	4.100%	105.129	452152W49
2024	18,000,000	4.000%	4.191%	99.000	452152W56
2025	18,000,000	6.000%	4.350%	109.837	452152W64
2026	18,000,000	6.000%	4.430%	110.453	452152W72
2027	18,000,000	6.000%	4.490%	111.055	452152W80
2028	18,000,000	6.000%	4.550%	111.524	452152W98
2029	18,000,000	5.000%	4.600%†	103.170†	452152X22
2030	18,000,000	5.000%	4.630%†	102.928†	452152X30
2031	18,000,000	5.000%	4.650%†	102.767†	452152X48
2032	18,000,000	5.000%	4.670%†	102.606†	452152X55
2033	18,000,000	5.000%	4.690%†	102.446†	452152X63
2034	18,000,000	5.000%	4.720%†	102.206†	452152X71
2035	18,000,000	5.000%	4.740%†	102.046†	452152X89
2036	18,000,000	5.000%	4.750%†	101.967†	452152X97
2037	18,000,000	4.625%	4.786%	98.000	452152Y21
2038	18,000,000	5.000%	4.810%†	101.490†	452152Y39
2039	18,000,000	5.000%	4.830%†	101.332†	452152Y47
2040	18,000,000	5.000%	4.850%†	101.174†	452152Y54
2041	18,000,000	5.000%	4.860%†	101.095†	452152Y62
2042	18,000,000	5.000%	4.870%†	101.016†	452152Y70
2043	18,000,000	5.000%	4.880%†	100.937†	452152Y88

$50,000,000 General Obligation Bonds, Series of May 2018B

Due May 1	Principal Amount	Interest Rate	Yield	Price	CUSIP*
2019	$5,000,000	5.000%	2.960%	101.951	452152Y96
2020	5,000,000	5.000%	3.320%	103.189	452152Z20
2021	5,000,000	5.000%	3.690%	103.661	452152Z38
2022	5,000,000	5.000%	3.900%	104.015	452152Z46
2023	5,000,000	5.000%	4.100%	104.014	452152Z53
2024	5,000,000	5.000%	4.230%	104.028	452152Z61
2025	5,000,000	5.000%	4.350%	103.874	452152Z79
2026	5,000,000	5.000%	4.430%	103.794	452152Z87
2027	5,000,000	5.000%	4.520%	103.508	452152Z95
2028	5,000,000	5.000%	4.580%	103.332	4521522A8

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* CUSIP is a registered trademark of American Bankers Association. CUSIP data in this Official Statement are provided by CUSIP Global Services LLC, managed on behalf of the American Bankers Association by S&P Capital IQ, a part of McGraw-Hill Financial, Inc. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of issuance of the Bonds and the State does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity may be changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

† Priced to the May 1, 2028 first optional redemption date.

State of Illinois

$500,000,000
State of Illinois
General Obligation Bonds,
Series of May 2018
$450,000,000 Series of May 2018A
$50,000,000 Series of May 2018B

Bruce Rauner
Governor

Hans Zigmund
Director of the Governor's Office of Management and Budget

Kelly Hutchinson
Director of Capital Markets

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PREFACE

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

In connection with the offering of the Bonds, the Purchasers may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Purchasers may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof and such public offering prices may be changed from time to time by the Purchasers.

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

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

FORWARD-LOOKING STATEMENTS

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

WEBSITE INDEX

APPENDIX F—WEBSITE INDEX contains a list of the websites referenced in this Official Statement. Except as otherwise provided herein, none of the information on these websites is being incorporated by reference into this Official Statement and the links to such websites are being provided only for the convenience of those reading this Official Statement. The State takes no responsibility for any information contained on such websites unrelated to the statements made in this Official Statement or for revisions to information on such websites occurring after the date of this Official Statement. State employees or officers may from time to time make statements or post information to such websites that are constitutionally protected political speech. Such statements are not intended to constitute communication to the investor community concerning the securities or the financial condition of the State. The State disseminates and discloses certain information, including material updates to the State's bond disclosures, through EMMA (as defined herein). None of the websites listed in APPENDIX F—WEBSITE INDEX is intended to act as a substitute for the disclosure of the information regarding the State posted on EMMA, nor do these websites necessarily include all of the information regarding the State currently disclosed on EMMA. Please review the State's filings on EMMA for current information on the State's disclosures.

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SUMMARY OF TERMS OF THE BONDS

This Summary is subject in all respects to more complete information contained in the Official Statement and its Appendices, to which this Summary is attached. The offering of the Bonds to any person is made only by means of the Official Statement, which should be reviewed carefully in its entirety. Capitalized terms not defined in this Summary are defined in the Official Statement.

The Issue	$500,000,000 State of Illinois General Obligation Bonds, Series of May 2018 issued in two separate series: $450,000,000 Series of May 2018A (the "Series 2018A Bonds") and $50,000,000 Series of May 2018B (the "Series 2018B Bonds" and with the Series 2018A Bonds, together, the "Bonds"). The Bonds will be dated the date of delivery, with delivery anticipated on or about May 9, 2018. The Bonds mature on May 1 in each of the years set forth on the inside cover of this Official Statement.
The Issuer	State of Illinois (the "State").
Interest	Payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2018. Payment of the installments of interest will be made to the registered owners of the Bonds as shown on the bond register at the close of business on the 15th day of the calendar month immediately preceding the interest payment date.
Form of Bonds; Denominations; Book-Entry System	The Bonds will be issued as fully registered book-entry bonds in denominations of $5,000 or any integral multiple of that amount. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be held under DTC's global book-entry system. See APPENDIX C—GLOBAL BOOK-ENTRY SYSTEM.
Use of Proceeds	The Series 2018A Bonds are being issued to provide funds to finance capital projects under the State's capital program and to pay costs of issuance of the Series 2018A Bonds. The Series 2018B Bonds are being issued to finance information technology projects and to pay costs of issuance of the Series 2018B Bonds. See "THE OFFERING—APPLICATION OF BOND PROCEEDS."

Optional Redemption	The Series 2018A Bonds maturing on or after May 1, 2029 are subject to redemption prior to maturity, at the option of the State on any date on or after May 1, 2028, in whole, or in part in integral multiples of $5,000, and if in part from such series and maturities as shall be selected by the State, less than all of the Series 2018A Bonds of a single maturity to be selected as described under "THE OFFERING—REDEMPTION–*Redemption Procedure,"* at a redemption price equal to 100% of the principal amount of the Series 2018A Bonds to be redeemed, plus accrued interest to the date of redemption. The Series 2018B Bonds are not subject to optional redemption prior to maturity. See "THE OFFERING—REDEMPTION–*Optional Redemption*."
Security for the Bonds; Provisions for Payment Are Irrepealable	The Bonds are direct, general obligations of the State and, pursuant to Section 9(a) of Article IX of the Illinois Constitution and the General Obligation Bond Act of the State of Illinois, as amended (the "Bond Act"), the full faith and credit of the State is pledged for the punctual payment of interest on all bonds issued under the Bond Act, including the Bonds, as it comes due and for the punctual payment of the principal of all bonds issued under the Bond Act, including the Bonds, at maturity, or on any earlier redemption date, and redemption premium, if any. These provisions are irrepealable until all bonds issued under the Bond Act, including the Bonds, are paid in full as to both principal and interest. See "SECURITY."

The Bond Act creates a separate fund in the State Treasury called the "General Obligation Bond Retirement and Interest Fund" (the "GOBRI Fund") to be used for repayment of all bonds issued under the Bond Act. On or before the last day of each month, the Bond Act requires the Illinois State Treasurer (the "Treasurer") and the Illinois State Comptroller (the "Comptroller") to transfer from the General Revenue Fund to the GOBRI Fund an amount sufficient to pay the aggregate amount of principal of, interest on and redemption premium, if any, on all bonds issued under the Bond Act payable on the next payment date, divided by the number of full calendar months between the date of such bonds and the first such payment date, and thereafter, divided by the number of months between each succeeding payment date after the first payment date. With respect to bonds issued under Section 4(a) of the Bond Act or bonds issued under the authorization of Public Act 98-781 (or bonds issued to refund such bonds), the Treasurer and the Comptroller are required to make such transfers from the Road Fund. Historical fund transfers to the GOBRI Fund are further detailed under "SECURITY—STATE FUNDING PAYMENTS."

See "GENERAL OBLIGATION INDEBTEDNESS — OUTSTANDING GENERAL OBLIGATION BONDS" for a description of the general obligation bonds authorized, previously issued and outstanding under the Bond Act and prior bond acts.

Irrevocable and Continuing Appropriation

The Bond Act requires the Governor of the State (the "Governor") to include an appropriation in each annual State Budget of moneys in an amount as will be necessary and sufficient, for the period covered by such Budget, to pay the interest, as it becomes payable, on all outstanding bonds issued under the Bond Act and to pay and discharge the principal and redemption premium, if any, of bonds falling due during such period.

The Bond Act requires the Illinois General Assembly to make appropriations annually to pay the principal of, interest on and redemption premium, if any, on outstanding bonds issued under the Bond Act from the GOBRI Fund.

The Bond Act itself constitutes an irrevocable and continuing appropriation of all amounts necessary to pay the principal of, interest on and redemption premium, if any, on outstanding bonds issued under the Bond Act, and the irrevocable and continuing authority for and direction to the Treasurer and the Comptroller to make the necessary transfers, as directed by the Governor, out of and disbursements from the revenues and funds of the State. See "SECURITY."

Tax Treatment of Interest

In the separate opinions of Chapman and Cutler LLP, Chicago, Illinois, and Pugh, Jones & Johnson, P.C., Co-Bond Counsel, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Bonds is not exempt from present State of Illinois income taxes. See "TAX MATTERS" for a more complete discussion.

Ratings

Moody's Investors Service, Inc. has assigned a rating of "Baa3" (Negative Outlook) to the Bonds, S&P Global Ratings has assigned a rating of "BBB-" (Stable Outlook) to the Bonds and Fitch Ratings Inc. has assigned a rating of "BBB" (Negative Outlook) to the Bonds. See "RATINGS."

Miscellaneous

Additional information regarding the Bonds and this Official Statement is available by contacting the Governor's Office of Management and Budget, 100 West Randolph Street, Suite 15-100, Chicago, Illinois 60601; telephone: (312) 814-0023.

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$500,000,000
State of Illinois
General Obligation Bonds
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INTRODUCTION

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

The purpose of this Official Statement (which includes the cover page and the Appendices) is to set forth certain information concerning the State of Illinois (the "State") and the State's $500,000,000 General Obligation Bonds, Series of May 2018 issued in two separate series, the Series of May 2018A (the "Series 2018A Bonds") in the principal amount of $450,000,000 and the Series of May 2018B (the "Series 2018B Bonds") in the principal amount of $50,000,000 (the Series 2018A Bonds and the Series 2018B Bonds, together, the "Bonds"). The Series 2018A Bonds are being issued to finance capital projects under the State's capital program and to pay costs of issuance of the Series 2018A Bonds, and the Series 2018B Bonds are being issued to finance information technology projects and to pay costs of issuance of the Series 2018B Bonds, as more completely described under "THE OFFERING–APPLICATION OF BOND PROCEEDS." The Bonds are issued pursuant to the provisions of the General Obligation Bond Act of the State of Illinois (30 ILCS 330/1 et seq.), as amended (the "Bond Act").

Illinois is a sovereign state of the United States and is an 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 the State's jurisdiction. See "STATE OF ILLINOIS."

Illinois is a state of diversified economic strengths. The State has a population of over 12 million, with per capita personal income that exceeds that of the United States and the Great Lakes region. The State has a broad employment base and diverse workforce composition that mirrors the United States as a whole. The State is home to 36 Fortune 500 companies, many of which are located in Chicago, the State's largest city and the largest city in the Midwest. The State is a major transportation hub, the only state where all seven Class 1 transcontinental railroads operate. O'Hare International Airport is one of the nation's busiest airports maintaining direct flights to national and worldwide destinations, making it a key passenger and freight handling facility. See "STATE OF ILLINOIS," "STATE FINANCIAL INFORMATION" and APPENDIX A—CERTAIN INFORMATION REGARDING THE STATE OF ILLINOIS for sources and information regarding the State.

SECURITY

The Bonds are direct, general obligations of the State ("GO Bonds"), and, pursuant to the Bond Act, the full faith and credit of the State is pledged for the punctual payment of interest on all GO

Bonds issued under the Bond Act, including the Bonds, as it comes due and for the punctual payment of the principal thereof at maturity, or any earlier redemption date, and premium, if any. These provisions of the Bond Act are irrepealable until all GO Bonds issued under the Bond Act are paid in full as to both principal and interest. See "SECURITY—STATE FUNDING PAYMENTS."

TAX TREATMENT OF INTEREST

In the separate opinions of Chapman and Cutler LLP, Chicago, Illinois, and Pugh, Jones & Johnson, P.C. (collectively, both firms are referred to herein as "Co-Bond Counsel") to be delivered upon the issuance of the Bonds, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Bonds is not exempt from present State of Illinois income taxes. See "TAX MATTERS" for a more complete discussion.

WEBSITE INDEX

APPENDIX F—WEBSITE INDEX contains a list of the websites referenced in this Official Statement. Except as otherwise provided herein, none of the information on these websites is being incorporated by reference into this Official Statement and the links to such websites are being provided only for the convenience of those reading this Official Statement.

AUTHORITY FOR ISSUANCE

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. See "STATE OF ILLINOIS—CONSTITUTIONAL PROVISIONS–*Constitutional Provisions Relating to Long-Term Borrowing*." The Bond Act, which has been approved by the requisite three-fifths vote of each house of the General Assembly, authorizes the issuance of multiple capital and special purpose GO Bonds in the aggregate amount of $55,917,925,743, excluding GO refunding bonds.

Public Act 100-23 amended the Bond Act to add Section 7.6, which authorized the additional issuance of GO Bonds in the amount of up to $6,000,000,000 (collectively, the "Section 7.6 Bonds"), the proceeds of which were to be used for the purpose of paying vouchers incurred by the State prior to July 1, 2017. The Section 7.6 Bonds in the aggregate principal amount of $6,000,000,000 were issued on November 8, 2017 and the proceeds have been spent to pay vouchers as described under "STATE FINANCIAL INFORMATION—FISCAL YEAR 2018 BUDGET" herein.

The Bond Act further authorizes the issuance of GO Bonds in the amount of up to $4,839,025,000, at any time and from time to time outstanding, for the purpose of refunding any outstanding GO Bonds.

The respective amounts of GO Bonds outstanding and GO refunding bonds outstanding are set forth in Table 6. See "GENERAL OBLIGATION INDEBTEDNESS—OUTSTANDING GENERAL OBLIGATION BONDS–*Table 6–General Obligation Bond Authorization*."

The Bond Act places certain restrictions on the issuance of GO Bonds, including a requirement (the "7% Requirement") that GO Bonds may not be issued if, in the next State fiscal year after the issuance of such GO Bonds, the amount of debt service on all then-outstanding GO Bonds (other than GO Bonds issued to pay pension obligations in 2010 and 2011 and Section 7.6 Bonds) exceeds 7% of the general funds (consisting, under the Bond Act, of the General Revenue Fund, the Common School Fund, the General Revenue–Common School Special Account Fund and the Education Assistance Fund) and Road Fund appropriations for the fiscal year immediately prior to the fiscal year of the issuance.

Public Act 100-23 suspended some restrictions in the Bond Act for certain types of GO Bonds issued in Fiscal Year 2018, including the 7% Requirement for GO Bonds issued for new money purposes in an aggregate principal amount of up to $2 billion in Fiscal Year 2018, and for GO Bonds issued for refunding purposes in an aggregate principal amount of up to $2 billion in Fiscal Year 2018. The Bonds, as new money bonds, are being issued in accordance with such suspension of the 7% Requirement.

Debt service payments on all outstanding GO Bonds and on short-term certificates (issued as described under "STATE OF ILLINOIS—CONSTITUTIONAL PROVISIONS–*Constitutional Provisions Relating to Short-Term Borrowing*," and "GENERAL OBLIGATION INDEBTEDNESS—SHORT TERM DEBT"), are made from a separate fund in the State Treasury called the "General Obligation Bond Retirement and Interest Fund" (the "GOBRI Fund"). For additional information, see "SECURITY–STATE FUNDING PAYMENTS."

THE OFFERING

DESCRIPTION OF BONDS

The Bonds will bear interest from their issue date and will mature as shown on the inside cover of this Official Statement. Interest on the Bonds is payable semiannually on May 1 and November 1 of each year, beginning on November 1, 2018, at the rates per annum specified on the inside cover of this Official Statement. Payment of the installments of interest will be made to the registered owners of the Bonds as shown on the bond register at the close of business on the record date, which is the 15th day of the calendar month immediately preceding the interest payment date.

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

REDEMPTION

Optional Redemption

The Series 2018A Bonds maturing on or after May 1, 2029 are subject to redemption prior to maturity at the option of the State on any date on or after May 1, 2028, in whole or in part, and if in part, from such maturities as shall be selected by the State, less than all of the Series 2018A Bonds of a single maturity to be selected as described under "*–Redemption Procedure*" below, in integral multiples of $5,000, at a redemption price equal to 100% of the principal amount of the Series 2018A Bonds to be redeemed, plus accrued and unpaid interest on the Series 2018A Bonds to be redeemed to the redemption date.

The Series 2018B Bonds are not subject to optional redemption prior to maturity.

Redemption Procedure

The Series 2018A Bonds will be redeemed only in the principal amount of $5,000 and integral multiples thereof. While the Series 2018A Bonds are registered in the Book-Entry Only System and so long as DTC or a successor securities depository is the sole registered owner of the Series 2018A Bonds, if less than all of the Series 2018A Bonds of a maturity are to be redeemed prior to maturity, the selection for redemption of such maturity of Series 2018A Bonds will be made in accordance with the operational arrangements of DTC or such successor securities depository then in effect. See APPENDIX C—GLOBAL BOOK-ENTRY SYSTEM.

Notice of any redemption of Series 2018A Bonds will be sent by certified or first-class mail not less than 30 nor more than 60 days prior to the date fixed for redemption to the registered owner of each Series 2018A Bond (or portion thereof) to be redeemed at the address shown on the registration books of the State maintained by the Bond Registrar, or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

Failure to give the notice of redemption required above as to any Series 2018A Bond, or any defect therein as to any Series 2018A Bond, will not affect the validity of the proceedings for the redemption of any other Series 2018A Bond. Any notice given as described above shall be conclusively presumed to have been given whether or not actually received by the appropriate addressee. With respect to an optional redemption of any Series 2018A Bonds, such notice may, at the option of the State, provide that said redemption is conditioned upon the receipt by the Bond Registrar on or prior to the date fixed for redemption of moneys sufficient to pay the applicable redemption price. If such moneys are not so received by the redemption date, such redemption notice will be of no force and effect, the State will not redeem such Series 2018A Bonds, the applicable redemption price will not be due and payable, and the Bond Registrar will give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Series 2018A Bonds will not be redeemed. Unless the notice of redemption is made conditional as described above, on or prior to any redemption date, the Treasurer shall provide for deposit with the Bond Registrar of an amount of money sufficient to pay the redemption price of all the Series 2018A Bonds or portions of Series 2018A Bonds which are to be redeemed on that date.

When notice of redemption has been given and the redemption price has been deposited with the Bond Registrar as hereinabove provided, the Series 2018A Bonds or portions of Series 2018A Bonds so to be redeemed shall on the date fixed for redemption become due and payable at the redemption price therein specified, and from and after such date, provided that funds are on deposit therefor, such Series 2018A Bonds or portions of Series 2018A Bonds shall cease to bear interest.

PLAN OF FINANCE

The net proceeds of the sale of the Series 2018A Bonds will be used to provide funds to finance capital projects under the State's capital program and to pay costs of issuance of the Series 2018A Bonds. The net proceeds of the sale of the Series 2018B Bonds will be used to provide funds to finance information technology projects and to pay costs of issuance of the Series 2018B Bonds. See "—APPLICATION OF BOND PROCEEDS."

The Bond Act authorizes the State to reallocate unspent proceeds of the Bonds to any of the purposes (other than refunding) and within the amounts authorized by the Bond Act. The State reserves the right to make such reallocations of Bond proceeds for available uses from time to time, so long as such reallocations do not adversely affect the tax-exempt status of the Bonds.

APPLICATION OF BOND PROCEEDS

The State estimates that the proceeds of the Bonds will be applied approximately as set forth below.

SERIES 2018A BONDS:

SOURCES:	AMOUNTS
Principal Amount Issued	$450,000,000
Net Original Issue Premium	15,463,260
TOTAL SOURCES	$465,463,260
USES:	
Project Costs	$463,478,422
Purchasers' Discount	1,611,000
Costs of Issuance	373,838
TOTAL USES	$465,463,260

SERIES 2018B BONDS:

SOURCES:	AMOUNTS
Principal Amount Issued	$50,000,000
Original Issue Premium	1,768,300
TOTAL SOURCES	$51,768,300
USES:	
Project Costs	$51,519,163
Purchasers' Discount	207,600
Costs of Issuance	41,537
TOTAL USES	$51,768,300

SECURITY

DIRECT, GENERAL OBLIGATIONS

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

Table 1 reflects the cash available (subject to certain restrictions as to use) from time to time in various State funds to support debt service on GO Bonds. See Table 7 under "GENERAL OBLIGATION INDEBTEDNESS—Outstanding General Obligation Bonds" for debt service on the outstanding GO Bonds.

TABLE 1
CASH BALANCES BY FUND CATEGORY
AS OF END OF FISCAL YEARS 2013–2017[1]
($ in millions)

FUND CATEGORY[1]	FY2013	FY2014	FY2015	FY2016	FY2017
General Funds	$ 154	$ 74	$ 621	$ 246	$ 1,077[4]
Highway Funds[2]	1,172	1,345	1,423	1,684	1,796
Special State Funds	3,671	3,341	2,845	4,068	3,257
Bond Financed Funds	856	2,676	552	799	541
Debt Service Funds[3]	1,508	1,638	1,232	1,346	1,411
Revolving Funds	99	78	94	175	224
State Trust Funds	2,350	2,373	2,316	3,037	3,261
June 30th amounts (End of Fiscal Year)	**$9,810**	**$11,524**	**$9,084**	**$11,355**	**$11,567**

Source: Illinois Office of the Comptroller and the Governor's Office of Management and Budget.
Note: Totals may not add due to rounding.
1 Does not include Federal Trust Funds.
2 Highway Funds are limited by Section 11 of Article IX of the Illinois Constitution to support construction and maintenance of transportation and the debt service on certain GO Bonds issued for transportation projects.
3 Includes the GOBRI Fund. As of June 30, 2017, the cash balance in the GOBRI Fund was $1,219.7 million.
4 June 30, 2017 cash balances reflect a significant increase in General Funds at the beginning of Fiscal Year 2018 due to the late enactment of a portion of the Fiscal Year 2017 Higher Education appropriations from the Education Assistance Fund. In June 2017, there was approximately $562 million in the Education Assistance Fund, significantly higher than the $24 million held in the Education Assistance Fund in June 2016.

The State imposes various taxes and fees to pay its General Funds obligations, including without limitation, principal and interest on its GO Bonds. See APPENDIX A—CERTAIN INFORMATION REGARDING THE STATE OF ILLINOIS—"PART IV–Tax Review."

STATE FUNDING PAYMENTS

The provisions of the Bond Act described below are irrepealable until all GO Bonds issued under the Bond Act are paid in full as to both principal and interest.

To provide for the manner of repayment of the Bonds, the Bond Act requires the Governor to include an appropriation in each annual State Budget of moneys in such amount as will be necessary and sufficient, for the period covered by such Budget, to pay the interest, as it becomes payable, on all outstanding GO Bonds issued under the Bond Act and to pay and discharge the principal and premium, if any, of GO Bonds falling due during such period. The Bond Act also creates the GOBRI Fund, which is a separate fund in the State Treasury to be used for such repayment.

The Bond Act requires the General Assembly to make appropriations annually to pay the principal of, interest on and premium, if any, on outstanding GO Bonds issued under the Bond Act from the GOBRI Fund. If for any reason the General Assembly fails to make appropriations sufficient to pay the principal of, interest on and premium, if any, on the GO Bonds when due, or if for any reason there are insufficient funds in the General Revenue Fund, or with respect to GO Bonds issued under Section 4(a) of the Bond Act or bonds issued under the authorization of Public Act

98-781 for highway and surface transportation purposes (or GO Bonds issued to refund GO Bonds issued for such purposes) in the Road Fund, to make transfers to the GOBRI Fund as required by the Bond Act, the Bond Act constitutes an irrevocable and continuing appropriation of all amounts necessary for that purpose, and the irrevocable and continuing authority for and direction to the Treasurer and the Comptroller to make the necessary transfers, as directed by the Governor, out of and disbursements from the revenues and funds of the State.

The State has paid all debt service payments on its GO Bonds when due. As described in "STATE FINANCIAL INFORMATION," the State did not enact a full General Funds Budget for Fiscal Years 2016 and 2017; nevertheless, the Treasurer continued to pay all GO Bond debt service payments required by the Bond Act.

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

On or before the last day of each month, the Bond Act requires the Treasurer and Comptroller to transfer from the General Revenue Fund to the GOBRI Fund an amount sufficient to pay the aggregate of the principal of, interest on and premium, if any, on GO Bonds issued under the Bond Act payable by their terms on the next payment date, divided by the number of full calendar months between the date of such GO Bonds and the first such payment date, and thereafter, divided by the number of months between each succeeding payment date after the first payment date. The following statutory transfers to the GOBRI Fund will also be made in amounts determined using the same formula, as follows: (i) pursuant to the Bond Act, transfers from the Road Fund to the GOBRI Fund for GO Bonds issued under Section 4(a) of the Bond Act or bonds issued under the authorization of Public Act 98-781 (or GO Bonds issued to refund such GO Bonds); (ii) pursuant to the State Finance Act and the Bond Act, transfers from the School Infrastructure Fund and the General Revenue Fund to the GOBRI Fund for GO Bonds issued for the construction of school improvements under the School Construction Law of the State as authorized by Section 5(e) of the Bond Act for school improvement projects (or GO Bonds issued to refund such GO Bonds); and (iii) pursuant to the State Finance Act and the Bond Act, transfers from the Capital Projects Fund and the General Revenue Fund to the GOBRI Fund for GO Bonds issued pursuant to the bonding authorization under the 2009 capital program (or GO Bonds issued to refund such GO Bonds).

These transfers of moneys are not required if the amount in the GOBRI Fund is already sufficient as described above, and if the Governor or his authorized representative notifies the Treasurer and Comptroller of such fact in writing. Moneys deposited into the GOBRI Fund to provide for the payment of Short-Term Debt are excluded from any calculation used in determining the ability of the State to suspend transfers to the GOBRI Fund for the payment of the GO Bonds.

The Bond Act provides that if the State fails to pay the principal of, interest on, or premium, if any, on any of the GO Bonds as the same become due, the holder of the GO Bonds on which such a payment default exists may institute a civil action to compel payment in the Supreme Court of Illinois as a court of original jurisdiction.

The cash balance in the GOBRI Fund was $1,026 million on March 1, 2018.

The following Table 2 shows a history of debt service transfers to the GOBRI Fund from the various funds described above during Fiscal Year 2013 through Fiscal Year 2017.

TABLE 2
GENERAL OBLIGATION BONDS
TRANSFERS TO THE GOBRI FUND FOR PAYMENT OF DEBT SERVICE
FISCAL YEARS 2013-2017
($ in millions)

	FY2013	FY2014	FY2015	FY2016	FY2017
General Revenue Fund					
Capital Bonds	$ 548.8	$ 602.9	$ 591.7	$ 556.5	$ 626.4
Pension Bonds	1,554.6	1,655.4	1,502.2	1,422.6	1,608.7
Road Fund	359.3	358.7	346.7	333.7	305.2
School Infrastructure Fund	209.5	208.8	192.8	211.8	115.2
Capital Projects Fund	310.1	344.2	388.0	532.5	477.0
TOTAL	**$2,982**	**$3,170**	**$3,021**	**$3,057**	**$3,132**

Source: Governor's Office of Management and Budget. Office of the Comptroller.
Totals may not add due to rounding.

CERTAIN INVESTMENT CONSIDERATIONS

Purchase and ownership of the Bonds is subject to a variety of risks. Each prospective investor in the Bonds is encouraged to read this Official Statement in its entirety. Particular attention should be given to the investment considerations described below which, among other things, could affect the financial condition of the State and therefore result in a repayment risk for investors, and could also affect the liquidity and/or market value of the Bonds after they are issued. The considerations described below are not all of the investment considerations associated with the purchase and ownership of the Bonds. The inclusion or omission of considerations from this section, and the order in which they are presented, do not necessarily reflect the relative importance of the various investment considerations.

INVESTMENT CONSIDERATIONS RELATING TO THE FINANCIAL CONDITION OF THE STATE

Budget Passage

The Fiscal Year 2019 General Funds Budget has not yet been enacted. Action on the Fiscal Year 2019 General Funds Budget by the General Assembly is expected by July 1, 2018. The State operated without fully enacted General Funds Budgets for Fiscal Years 2016 and 2017. The Fiscal Year 2018 General Funds Budget was vetoed by the Governor, and was enacted by the General Assembly after overriding the Governor's vetoes of the Fiscal Year 2018 budget package. There can be no assurance that a General Funds budget will be enacted for Fiscal Year 2019 or in future fiscal years.

Budget Deficit

The Fiscal Year 2018 General Funds Budget was balanced after the inclusion of several items, including the budgetary impact of the issuance of the Section 7.6 Bonds and authorized fund reallocations and interfund borrowing. The Fiscal Year 2018 General Funds budget has an estimated underlying structural deficit of $1.5 billion. See "STATE FINANCIAL INFORMATION—REVIEW OF FISCAL YEAR 2018 ENACTED BUDGET." To avoid future structural deficits, the Governor and the General Assembly would, among other potential solutions, need to reduce expenditures, adjust revenue collections or approve a combination of revenue adjustments and reductions in expenditures. The State provides no assurances as to how, when or in what form this structural deficit might be addressed.

Bill Payment Delays

The absence of fully enacted General Funds Budgets for Fiscal Year 2016 and Fiscal Year 2017 contributed to a significant backlog of unpaid bills. The Comptroller's estimate of the amount of unpaid bills as of March 1, 2018 was approximately $8.9 billion. A current estimate of unpaid bills is available on the GOMB website. See APPENDIX F—WEBSITE INDEX. The backlog of bills held by the Comptroller and the State agencies may increase unless balanced budgets are enacted in the future. See "STATE FINANCIAL INFORMATION—REVIEW OF FISCAL YEAR 2018 ENACTED BUDGET— *Fiscal Year 2018 Bill Payment Delays.*"

Severe Underfunding of the State's Retirement Systems

The State's retirement systems are severely underfunded. Over the past ten years, the funding levels for the State's retirement systems have deteriorated dramatically and are among the lowest in the nation with respect to state pension plans. The State's contributions to the retirement systems, while in conformity with State law, have been less than the contributions necessary to fully fund the retirement systems as calculated by the actuaries for the retirement systems. The unfunded actuarial accrued liability of the State's retirement systems (the amount by which the aggregate actuarial accrued liability exceeds the aggregate value of its assets) at the end of Fiscal Year 2017 totaled approximately $129.1 billion on a fair value basis and $128.9 billion on an actuarial basis, resulting in respective funded ratios (the ratio of the value of assets to the actuarial accrued liability, expressed as a percentage) that equaled 39.8% and 39.9%. See APPENDIX E—PENSION AND OTHER POST EMPLOYMENT BENEFITS—"SOURCE INFORMATION," "ACTUARIAL ASSUMPTIONS," "HISTORY OF CONTRIBUTIONS TO THE RETIREMENT SYSTEMS," "FUNDED STATUS" and "PROJECTION OF CONTRIBUTIONS AND FUNDED STATUS."

Impact of Current and Future Health Care Reform Efforts Unpredictable; Future of Affordable Care Act Uncertain

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (the "ACA"), provides for federal funding to states that choose to expand Medicaid. Under the ACA, the federal government pays states 95% of the costs of such Medicaid expansion for calendar year 2017 and 94% of the costs for calendar year 2018. The State participates in expanded Medicaid under the ACA pursuant to legislation enacted by the General Assembly in 2013 (the "Medicaid Expansion Legislation"). With respect to liability for the Fiscal Year ended June 30, 2017, the State expects to receive approximately $3.3 billion from the federal government for the base costs of its Medicaid expansion.

The ACA and its implementation have been, and remain, controversial. Accordingly, the ACA has continually faced legal and legislative challenges, including repeated repeal efforts, since its enactment. To date, no repeal bills have passed both chambers of Congress. If the provisions of the ACA providing for federal funding of Medicaid expansion are repealed, the State would either need to provide additional funds to cover the costs of the Medicaid expansion previously funded by the federal government or discontinue the provision of the expanded Medicaid benefits. Further, under the Medicaid Expansion Legislation, if the amount of funds provided by the federal government with respect to the Medicaid expansion declines below 90% of the cost of the Medicaid expansion, the State would no longer participate in the Medicaid expansion under existing statutes. The State makes no prediction as to the likelihood of the passage of any repeal bills or other health care reform bills, or the contents thereof.

Risks Related to Variable Rate Bonds

The State's only series of variable rate bonds, its Variable Rate General Obligation Bonds, Series B of October 2003 (the "Series 2003B Bonds"), currently outstanding in the aggregate principal amount of $600 million, was purchased in four separate sub-series on November 7, 2016 by four purchasers, and initially bear either a LIBOR-based interest rate or a SIFMA-based interest rate, with a mandatory tender of the Series 2003B Bonds required on November 7, 2018. Pursuant to, and in accordance with the conditions set forth in, continuing covenant agreements with such purchasers, the Series 2003B Bonds that are not paid, redeemed or remarketed on such mandatory tender date will amortize more quickly than their original stated amortization schedule, and will bear interest during that amortization period at a significantly higher interest rate than the interest rate that would otherwise apply to such Series 2003B Bonds. See "GENERAL OBLIGATION INDEBTEDNESS—VARIABLE RATE BONDS."

Negative Present Value of Interest Rate Exchange Agreements

The State is currently a party to five interest rate exchange agreements that hedge interest rate risk on the Series 2003B Bonds. The terms of such agreements permit a counterparty to terminate its agreement if the other party fails to perform under the terms of such agreement or if the other party's credit rating is withdrawn, suspended, or falls below specified ratings thresholds. If an agreement is terminated and has a negative mark-to-market value, the State would be immediately liable for a termination payment in the amount of such negative value. If the mark-to-market value of an agreement becomes positive, the State may be exposed to the risk of the bankruptcy of a counterparty. The State is also exposed to "basis risk" in the event the interest rate on the Series 2003B Bonds exceeds the interest rate payable by the counterparties to the State under the agreements. All five agreements currently have negative mark-to-market values. See "GENERAL OBLIGATION INDEBTEDNESS—INTEREST RATE EXCHANGE AGREEMENTS."

Ratings

The Bonds have been rated by Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P") and Fitch Ratings Inc. ("Fitch"). There is no assurance that such ratings will be maintained for any given period of time or that any rating will not be lowered or withdrawn entirely. Any revision or withdrawal of any such ratings could have a material adverse effect on the availability of a market for the Bonds or the prices at which the Bonds may be resold. See "RATINGS."

Delays in Exercising Remedies

The rights and remedies of the Bondholders may be limited by and are subject to equitable principles that may affect the enforcement of creditors' rights and liens securing such rights, the police powers of the State and its political subdivisions, the exercise of judicial discretion in appropriate cases and limitations on legal remedies against the State. The opinions of Co-Bond Counsel to be delivered with respect to the Bonds will be similarly qualified. Because of delays inherent in obtaining judicial remedies, it should not be assumed that these remedies could be accomplished rapidly. Any delays in the ability of the Bondholders to pursue remedies may result in delays in payment of the Bonds.

The State is not authorized to file for bankruptcy protection under current federal bankruptcy law. Furthermore, there are federal Constitutional issues which raise doubt about the legality of any legislation of the United States Congress that would purport to permit the State to adjust its debts in a proceeding under federal bankruptcy law.

Changes in Economic and Demographic Conditions

The Fiscal Year 2018 General Funds Budget and the Proposed Fiscal Year 2019 General Funds Budget are based on expectations and assumptions of the State that are subject to a number of known and unknown risks and uncertainties, many of which are beyond the State's control. These include, among others, general economic conditions, demographic trends, natural disasters, terrorism, and reductions in or elimination of federal programs which may adversely affect the transfer of funds from the federal government to the State. Accordingly, the expectations and assumptions of the State upon which the Fiscal Year 2018 General Funds Budget and the Proposed Fiscal Year 2019 General Funds Budget are based may not be realized and the State's financial condition could be further materially adversely affected. See "STATE FINANCIAL INFORMATION—REVIEW OF FISCAL YEAR 2018 ENACTED BUDGET" and "STATE FINANCIAL INFORMATION—PROPOSED FISCAL YEAR 2019 BUDGET."

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 this Official Statement.

INVESTMENT CONSIDERATIONS RELATING TO TAX-EXEMPT MUNICIPAL OBLIGATIONS

Future Changes in Federal Tax Laws

As discussed under "TAX MATTERS" herein, there are or may be pending in the Congress of the United States legislative proposals relating to the federal tax treatment of interest on the Bonds, including some that carry retroactive effective dates, that, if enacted, could affect the market value of the Bonds. Reduction or elimination of the tax-exempt status of obligations such as the Bonds could have an adverse effect on the State's ability to access the capital markets to finance future capital or operational needs by reducing market demand for such obligations or materially increasing borrowing costs of the State.

Loss of Tax Exemption

As discussed under "TAX MATTERS" herein, interest on the Bonds could become includible in gross income of the owners thereof for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the State in violation of its covenants in the Tax Exemption Certificate and Agreement entered into in connection with the issuance of the Bonds or future Congressional actions. Should such an event of taxability occur, the Bonds are not subject to any special redemption solely as a result of the occurrence of events which would cause taxability and will remain outstanding until maturity or redeemed as described under "THE OFFERING—REDEMPTION."

IRS Bond Examinations

The tax-exempt bond office of the Internal Revenue Service (the *"*Service*"*) is conducting audits of tax-exempt bonds, both compliance checks and full audits, with increasing frequency to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether the Service will commence any such audit. If an audit is commenced, under current procedures the Service may treat the State as a taxpayer and the Bondholders may have no right to participate in such proceeding. The commencement of an audit with respect to any tax-exempt obligations of the State could adversely affect the market value and liquidity of the Bonds, regardless of the ultimate outcome.

No Secondary Market

There can be no assurances that a secondary market for the Bonds will be established, maintained or functioning. Accordingly, each purchaser should expect to bear the risk of the investment represented by the Bonds to maturity.

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 Executive Branch of the State other than the offices of other constitutionally-elected officials. The other constitutionally-elected officials of the Executive Branch include the Lieutenant Governor, the Attorney General, the Secretary of State, the Illinois State Comptroller (the "Comptroller") and the Illinois State Treasurer (the "Treasurer"). The Auditor General, Frank J. Mautino, is a constitutional officer appointed for a term of 10 years, effective January 1, 2016, and was confirmed by a three-fifths vote of both houses of the General Assembly.

The Illinois Constitution provides that all elected officials of the Executive Branch hold office for four-year terms. The State's current elected constitutional officials are Governor Bruce Rauner, Lieutenant Governor Evelyn Sanguinetti, Attorney General Lisa Madigan, Secretary of State Jesse White, Comptroller Susana Mendoza and Treasurer Michael W. Frerichs. An election for these offices will be held on November 6, 2018.

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 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 Treasurer is also responsible for ensuring that investment of State funds complies with the Public Funds Investment Act (30 ILCS 235).

The legislative power of the State is vested in the General Assembly, which is composed of 59 Senators and 118 members of 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. Pursuant to Illinois law, the election of two-thirds of the members of the Senate and all members of the House of Representatives was held on November 8, 2016 and will be held on November 6, 2018. Members of the House of Representatives were elected to serve two-year terms, while members of the Senate were elected to serve two-year or four-year terms as set forth in the Illinois Constitution.

The Judicial Branch is composed of the Supreme Court, the Appellate Courts and the Circuit Courts. Pursuant to Illinois law, judicial elections were held on November 8, 2016 and will be held on November 6, 2018.

CONSTITUTIONAL PROVISIONS

Constitutional Provisions Relating to Revenues and Expenditures

Article VIII, Section 2 of the Illinois Constitution requires the Governor to prepare and submit to the General Assembly, at a time prescribed by law (generally, the third Wednesday in February), 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, Section 2 also requires the General Assembly to 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.

Article IV, Section 9 of the Illinois Constitution provides that the Governor may reduce or veto any item of appropriations in a bill passed and presented to him by the 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

Article IX, Section 9(a) of the Illinois 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 revenue and which are incurred by the State, any department, authority, public corporation or quasi-public corporation of the State, any State college or university, or any other public agency created by the State, but not by units of local government, or school districts."

The Bond Act was enacted pursuant to Article IX, Section 9(b) of the Illinois Constitution, which provides that 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.

Constitutional Provisions Relating to Short-Term Borrowing

Article IX, Sections 9(c) and 9(d) of the Illinois Constitution, pursuant to which the Short Term Borrowing Act, as amended (30 ILCS 340/1 *et seq.*) (the "Short Term Borrowing Act"), was enacted, permit State debt to be incurred in anticipation of revenues to be collected in a fiscal year 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. Additionally, State debt may be incurred in an amount not exceeding 15% of the State's appropriations for a fiscal year to meet deficits caused by emergencies or failures of revenue. Such debt must be repaid within one year of the date it is incurred.

Constitutional Provision Relating to Refundings

Article IX, Section 9(e) of the Illinois Constitution provides the constitutional authority to refund State debt by providing that State debt may be incurred by law to refund outstanding State debt if the refunding debt matures within the term of the outstanding State debt.

Constitutional Provision Relating to Impairment of Contracts

Article I, Section 16 of the Illinois Constitution provides that no law impairing the obligation of contracts shall be passed by the General Assembly. This "non-impairment" clause would prohibit action by the General Assembly that would, under contract law, impair the obligations of a contract between the State and its bondholders.

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

The Governor's Office of Management and Budget ("GOMB") is organized under the Governor's Office of Management and Budget Act (20 ILCS 3005/1 *et seq*.). GOMB is headed by a Director (the "Director") appointed by the Governor. GOMB assists the Governor in developing the State's annual operating and capital budgets, as called for in statute (20 ILCS 3005/2.1 and 20 ILCS 3005/2.5). Pursuant to Article VIII, Section 2(b) of the Illinois Constitution, these budgets are introduced by the Governor for each fiscal year and must contain estimated revenues and recommended appropriations for the upcoming fiscal year that are balanced.

In addition to assisting the Governor in developing and managing the State's annual operating and capital budgets, GOMB provides financial and other information regarding the State to securities investors, the Municipal Securities Rulemaking Board ("MSRB") under its Electronic Municipal Market Access ("EMMA") system and other securities information repositories or state information depositories as required by federal securities rules. See "CONTINUING DISCLOSURE" and APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING.

STATE FINANCIAL INFORMATION

SOURCES

The tables in this section, "STATE FINANCIAL INFORMATION," present pertinent financial information about the State. Data is for the State's fiscal years, unless otherwise noted, each of which runs from July 1 through June 30 (each a "Fiscal Year"). Financial information contained in this section is drawn from the records and reports of the Comptroller and documents prepared by GOMB.

MEASUREMENT BASES

Financial information reported by the State is prepared and reported under one of three measurement bases: (i) the cash basis of accounting; (ii) the budget basis of accounting; and (iii) the GAAP (Generally Accepted Accounting Principles as promulgated by the Government Accounting Standards Board) basis of accounting. The basis used in preparing financial information impacts the manner in which revenues and expenditures are recognized in preparing these financial reports. The bases used by the State are described in APPENDIX G—ACCOUNTING PRACTICES USED IN STATE FINANCIAL INFORMATION.

FINANCIAL REPORTS

The Comptroller annually prepares two separate financial reports that are audited by the Illinois Auditor General, who also opines on the financial statements contained in those reports.

As the fiscal control officer of the State, the Comptroller issues a *Comprehensive Annual Financial Report* ("CAFR"), which includes financial statements detailing receipts and expenditures for each year. The CAFR is prepared according to GAAP and contains statements of budgetary fund balances and changes in budgetary fund balances for all fund groups.

Under Section 19.5 of the State Comptroller Act, the Comptroller must publish the CAFR for each fiscal year by December 31 of each year or may publish unaudited financial statements and a written explanation to State leadership explaining the reasons for the delay beginning with the CAFR for Fiscal Year 2012. However, pursuant to 2012 amendments to Section 25 of the State Finance Act, the lapse period for certain expenses was permanently extended past the 60-day lapse period granted to most appropriations. This extension makes the publication of unaudited financial statements by December 31 problematic in years in which bills are paid during the end of such lapse period. The State has covenanted in its continuing disclosure undertakings to file the CAFR within 30 days after its availability to GOMB. See "CONTINUING DISCLOSURE" and APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING. A final copy of the Fiscal Year 2017 CAFR was available to GOMB, and was uploaded to EMMA, on March 22, 2018.

The Comptroller also annually prepares and issues the *Traditional Budgetary Financial Report* ("TBFR") using accounting practices prescribed or permitted by the State Comptroller Act (15 ILCS 405) that represent the budget basis of accounting. Presentation practices in the TBFR are materially different from the GAAP presentation practices used in the CAFR. A final copy of the Fiscal Year 2017 TBFR can be found on the Comptroller's website. Under Section 20 of the State Comptroller Act, the TBFR for each fiscal year is to be released by December 31 of each year. See APPENDIX F—WEBSITE INDEX.

Key differences between the accounting practices used in the TBFR and GAAP utilized in preparing the Fiscal Year CAFR are described in APPENDIX G—ACCOUNTING PRACTICES USED IN STATE FINANCIAL INFORMATION.

NET POSITION OF GOVERNMENTAL ACTIVITIES

The State's CAFR provides that, as of June 30, 2017, the State has a deficit net position of governmental activities (the "Net Position") of approximately \$141.7 billion, an increase of approximately \$10.1 billion from the Net Position as of June 30, 2016. The deficit Net Position, which is presented on an accrual basis of accounting, equals the excess of the State's total liabilities and deferred inflows of resources (approximately \$214.4 billion as of June 30, 2017) over the

State's total assets and deferred outflows of resources (approximately $72.8 billion as of June 30, 2017). The State's total revenues from governmental activities increased by approximately $2.4 billion during Fiscal Year 2017, while the State's governmental activities expenses increased approximately $6.3 billion during Fiscal Year 2017. See the CAFR for additional information.

FINANCIAL RESULTS: FY2013-FY2017

Prior to Fiscal Year 2018, the State's "General Funds" included four funds – the General Revenue Fund, the Education Assistance Fund, the Common School Fund, and General Revenue-Common School Special Account Fund. Public Act 100-23 amended the State Budget Law (15 ILCS 20/50-40) to add the Fund for the Advancement of Education and the Commitment to Human Services Fund (both of which receive a portion of State income tax receipts) and the Budget Stabilization Fund to the State definition of General Funds. Tables and budget discussion in this Official Statement for Fiscal Year 2017 and earlier reflect the original definition of General Funds, except where noted. Amounts under the headings "REVIEW OF FISCAL YEAR 2016" and "REVIEW OF FISCAL YEAR 2017" in this section, where applicable, have been restated to reflect the new definition of General Funds. As such, the amounts reflected under such headings differ from the amounts reflected in the TBFR.

Tables 3 and 4, which are presented on the following pages, describe the General Funds revenues and expenditures of the State for the past five fiscal years prepared on a cash or budget basis and are drawn from the Fiscal Year 2017 TBFR. The budget basis reflects the statutory provisions and associated policies for recognition of revenues, expenditures, transfers and outstanding liabilities associated with the passage and adoption of the General Funds budget for each fiscal year. As discussed in APPENDIX G—ACCOUNTING PRACTICES USED IN STATE FINANCIAL INFORMATION, budget basis statements differ materially from those prepared on the basis of GAAP.

Table 3 lists cash basis revenues which include cash receipts from State sources, statutory transfers in, and federal sources, both receipts and transfers in. Table 3 also segregates Base Revenues from Total Revenues where the differences include one-time receipts in the form of short term borrowings as well as cash management transfers for cash flow purposes that are repaid either within the same or subsequent fiscal years and reported as expenditures in Table 4.

Table 4 lists budget basis expenditures based upon warrants issued by the Comptroller during the fiscal year. The expenditures by warrant for each fiscal year are reported using three different approaches: (1) by agency that incurred the expenditure, (2) by categorical form of the expenditure, and (3) by functional category of the expenditure, and Table 4 also reports transfers out. Table 4 also segregates Base Expenditures from Total Expenditures, reflecting repayment of short term borrowings and cash management transfers that were receipts in either the same or prior fiscal years, as reported in Table 3.

For an operating statement explaining the changes during Fiscal Year 2017 in both cash balance as well as fund balance, reflecting the cash basis and budget basis, respectively, see Table G-1 in APPENDIX G—ACCOUNTING PRACTICES USED IN STATE FINANCIAL INFORMATION.

TABLE 3
(Cash Basis)
GENERAL FUNDS ANALYSIS OF REVENUES
($ in Millions)
June 30 Fiscal Year End

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017 Increase or Decrease Amount	FY2017 Increase or Decrease Percent	FY2017 Where the Dollar Came From
STATE SOURCES:								
CASH RECEIPTS:								
Income Taxes								
Individual............................	$16,538	$16,642	$15,433	$12,890	$12,737	$(153)	(1.2)%	
Corporate............................	3,177	3,164	2,686	1,972	1,328	(644)	(32.7)	
Total, Income Taxes....................	19,715	19,806	18,119	14,862	14,065	(797)	(5.4)	47.8%
Sales Taxes............................	7,355	7,676	8.030	8,063	8,043	(20)	(0.2)	27.4
Other Sources								
Public Utility Taxes..................	1,033	1,013	1,006	926	884	(42)		
Insurance Tax & Fees..................	334	333	353	398	391	(7)		
Cigarette Taxes.......................	353	353	353	353	353	0		
Inheritance Tax (gross)..............	293	276	333	306	261	(45)		
Cook County Intergovernmental Transfer	244	244	244	244	244	0		
Corporate Franchise Tax & Fees........	205	203	211	207	207	0		
Liquor Gallonage Taxes...............	165	165	167	170	171	1		
Investment Income.....................	20	20	25	24	36	12		
Other Taxes, Licenses, Fees & Earnings	504	624	735	574	725	151		
Total, Other Sources....................	3,151	3,231	3,427	3,202	3,272	70	2.2	11.1
TOTAL, CASH RECEIPTS.....................	$30,221	$30,713	$29,576	$26,127	$25,380	$(747)	(2.9)%	86.3%
TRANSFERS IN FROM OTHER STATE FUNDS:								
Lottery Fund............................	656	668	678	677	720	43		
Build Illinois Fund.....................	281	265	337	316	320	4		
State Gaming Fund.......................	345	321	292	277	270	(7)		
Hospital Provider Fund..................	80	80	80	80	80	0		
Illinois Sports Facilities.............	0	0	0	9	48	39		
Capital Projects Fund...................	210	280	185	60	35	(25)		
McCormick Place Expansion Project Fund..	0	0	0	25	14	(11)		
Metropolitan Exposition Auditorium & Office Building Fund..................	15	13	14	17	13	(4)		
State Whistleblower Reward. and Protection Fund..................	44	38	6	9	10	1		
Warrant Escheat Fund....................	9	15	11	10	9	(1)		
Income Tax Refund Fund..................	0	397	63	77	4	(73)		
Protest Fund............................	10	13	18	11	3	(8)		
Budget Stabilization Fund...............	275	275	275	125	0	(125)		
Budget Implementation Acts.............	0	0	1284(2)	0	0	0		
Interfund Borrowing.....................	0	0	454	0	0	0		
FY13/FY14 Backlog Payment Fund..........	264	50	0	0	0	0		
Community Developmental Disability Services Medicaid Trust Fund...........	24	0	0	0	0	0		
All Other Funds.........................	15	12	13	13	16	3		
TOTAL, TRANSFERS IN..................	$2,228	$2,427	$2,426	$1,706	$1,542	$(164)	(9.6)%	5.3%
TOTAL, STATE SOURCES..............	**$32,449**	**$33,140**	**$32,002**	**$27,833**	**$26,922**	**$(911)**	**(3.3)%**	**91.6%**
FEDERAL SOURCES:								
CASH RECEIPTS:								
Department of Healthcare and Family Services	$3,999	$3,761	$3,180	$2,512	$2,288	$(224)		
Department of Human Services	107	98	109	110	156	46		
All Other Agencies............................	5	8	7	3	7	4		
TOTAL, CASH RECEIPTS................	$4,111	$3,867	$3,296	$2,625	$2,451	$(174)		
TRANSFERS IN:								
Federal Trust Funds...........................	$43	$36	$35	$40	$32	$(8)		
TOTAL, FEDERAL SOURCES.........	**$4,154**	**$3,903**	**$3,331**	**$2,665**	**$2,483**	**$(182)**	**(6.8)%**	**8.4%**
TOTAL, REVENUES	**$36,603**	**$37,043**	**$35,333**	**$30,498**	**$29,405**	**$(1,093)**	**(3.6)%**	**100.0%**
Transfer from Budget Stabilization Fund...	275	275	275	125	0	(125)		
Interfund Borrowing............................	0	0	454	0	0	0		
TOTAL, BASE REVENUES(1)	**$36,328**	**$36,768**	**$34,604**	**$30,373**	**$29,405**	**$(968)**	**(3.2)%**	

Source: Page 5 of the Traditional Budgetary Financial Report FY2017

(1) Base Revenues equal Total Revenues less the adjustment items listed below "Total, Revenues" above.

(2) This was a reallocation of excess fund balances in other State funds to the General Funds.

TABLE 4
(Budget Basis)
GENERAL FUNDS ANALYSIS OF EXPENDITURES
($ in Millions)
June 30 Fiscal Year End

WARRANTS ISSUED:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY2017 Increase or Decrease Amount	FY2017 Increase or Decrease Percent	FY2017 Where the Dollar Was Spent
BY AGENCY:								
State Board of Education	$6,539	$6,681	$6,545	$6,507	$7,211	$704	10.8%	21.2%
Healthcare and Family Services	6,726	7,292	6,525	6,090	5,972	(118)	(1.9)	17.5
Teachers Retirement System	2,790	3,529	3,479	3,851	4,096	245	6.4	12.0
Human Services	3,448	3,217	3,363	3,153	3,283	130	4.1	9.6
Higher Education Agencies:								
Universities Retirement System	1,257	1,316	1,352	1,416	1,506	90	6.4	
University of Illinois	662	663	644	180	651	471	261.7	
Student Assistance Commission	380	382	375	176	365	189	107.4	
Community College Board	340	342	338	76	239	163	214.5	
Southern Illinois University	205	205	200	57	200	143	250.9	
All Other	390	395	382	134	398	264	197.0	
Total, Higher Education Agencies	3,234	3,303	3,291	2,039	3,359	1,320	64.7	9.9
All Other Agencies:								
State Employees Retirement System	1,049	1,097	1,149	1,367	1,309	(58)	(4.2)	
Corrections	1,172	1,276	1,310	888	1,076	188	21.2	
Children and Family Services	721	684	672	619	684	65	10.5	
Aging	1,060	935	880	646	590	(56)	(8.7)	
Judicial Agencies	398	458	497	502	502	0	0.0	
Secretary of State	250	258	292	196	231	35	17.9	
State Police	245	286	254	223	219	(4)	(1.8)	
Central Management Services	1,481	1,513	1,608	28	182	154	550.0	
Other Agencies	1,201	1,010	909	653	710	57	8.7	
Total, All Other Agencies	7,577	7,517	7,571	5,122	5,503	381	7.4	16.2
Prior Year Adjustments	(21)	(60)	(11)	(12)	(3)	9	N/A	(0.0)
BY CATEGORY:								
Awards and Grants	20,430	21,141	20,828	19,859	21,014	1,155	5.8	61.7
Operations	9,870	10,387	9,938	6,899	8,402	1,503	21.8	24.7
Permanent Improvements and Highway Construction	8	6	8	4	8	4	100.0	0.0
Refunds	6	5	0	0	0	0	N/A	0.0
Prior Year Adjustments	(21)	(60)	(11)	(12)	(3)	9	N/A	(0.0)
BY FUNCTION:								
Education	12,575	13,525	13,377	12,409	14,679	2,270	18.3	43.1
Health and Social Services	12,173	12,333	11,627	10,643	10,676	33	0.3	31.4
General Government	3,423	3,297	3,397	1,879	2,058	179	9.5	6.0
Public Protection and Justice	1,966	2,186	2,210	1,749	1,921	172	9.8	5.6
Environment and Business Regulation	56	70	85	52	53	1	1.9	0.2
Employment and Economic Development	93	101	73	30	37	7	23.3	0.1
Transportation	22	22	5	0	0	0	N/A	0.0
Refunds	6	5	0	0	0	0	N/A	0.0
Prior Year Adjustments	(21)	(60)	(11)	(12)	(3)	9	N/A	(0.0)
TOTAL, WARRANTS ISSUED	30,293	31,479	30,763	26,750	29,421	2,671	10.0	86.4
TRANSFERS OUT	5,350	5,497	4,858	4,576	4,636	60	1.3	13.6
TOTAL, EXPENDITURES	**$35,643**	**$36,976**	**$35,621**	**$31,326**	**$34,057**	**$2,731**	**8.7%**	**100.0%**
Repayment of Interfund Borrowing	133	0	0	0	15	15		
Transfer to Budget Stabilization Fund	275	275	275	125	0	(125)		
TOTAL, BASE EXPENDITURES(1)	**$35,235**	**$36,701**	**$35,346**	**$31,201**	**$34,042**	**$2,841**	**9.1%**	

Source: Page 9 of the Traditional Budgetary Financial Report FY2017

(1) Base Expenditures equal Total Expenditures less the adjustment items listed below "Total, Expenditures" above.

ACCOUNTS PAYABLE

As described below, Table 5 includes General Funds lapse period transactions at the end of a fiscal year as reported in the TBFR, which represent budget basis accounts payable. On a GAAP basis, and as reported in the CAFR, the General Funds of the State also carry other liabilities not detailed in Tables 3, 4 and 5. The lapse period transaction amounts (i.e., budget basis accounts payable) do not include Section 25 liabilities that represent incurred legal liabilities primarily for Medicaid and group health insurance that are paid from the appropriations of subsequent fiscal years because appropriation authority for those expenditures in the current year has been exhausted, nor does it include amounts for which sufficient current year appropriations were not provided.

Table 5 includes Budget Basis Accounts Payable, General Funds Section 25 Liabilities that have accrued during the current and prior fiscal years, but that will be paid from future fiscal years' appropriations, payable from the General Funds, and Section 25 Liabilities attributed to funds outside of the General Funds.

TABLE 5
(Budget Basis)
ACCOUNTS PAYABLE
AS OF THE END OF EACH FISCAL YEAR 2013-2017
($ in millions)

	END OF FISCAL YEAR JUNE 30				
	FY2013	FY2014	FY2015	FY2016	FY2017
General Funds Budget Basis Accounts Payable[1]	$4,142	$4,005	$3,521	$3,789	$ 9,061
General Funds Section 25 Liabilities[2]	1,864	1,622	1,598	3,307	5,932
Total General Funds Accounts Payables	$6,006	$5,627	$5,119	$7,096	$14,993
Section 25 Liabilities - Other State Funds	$ 489	$ 429	$ 316	$ 956	$ 162

Source: Illinois Office of the Comptroller. Section 25 Liabilities are released with the CAFR. Budget Basis Accounts Payable as reported on page 11 of the TBFR.

1 This amount includes General Funds Lapse Period Transactions as reported in the TBFR.

2 Section 25 Liabilities are incurred in one fiscal year and payable from future fiscal year appropriations. This amount is the General Funds portion of Section 25 liabilities.

Tables 3, 4, 5, G-1 and the State's CAFR, as well as accompanying footnotes, taken together, should be referenced for a more complete understanding of the financial statements.

The following subsections describe the recent financial history of the State and the Governor's Fiscal Year 2019 General Funds budget proposal. All amounts set forth in these sections were prepared on the budgetary basis of accounting.

AUTHORIZATION FOR EXPENDITURES IN THE ABSENCE OF A BUDGET – FISCAL YEARS 2016 AND 2017

The State did not enact a full General Funds budget for Fiscal Year 2016 or for Fiscal Year 2017, but certain spending continued to occur in the absence of a budget. In Fiscal Year 2016 and in Fiscal Year 2017, certain appropriations were enacted and certain spending occurred through statutory transfers, statutory continuing appropriations, court orders and consent decrees.

All debt service payments on GO Bonds in Fiscal Year 2016 and Fiscal Year 2017 were paid by the Treasurer through statutory continuing appropriations or enacted State appropriations from the GOBRI Fund. Statutory transfers to the GOBRI Fund from the various funds in the State Treasury occurred as required by statute.

The following descriptions outline generally the ways that State spending occurred during this timeframe.

- *Appropriations signed into law* – Appropriations bills that are enacted into law authorize State agencies to spend from these appropriations as permitted by law.
- *Continuing appropriations authorized by statute* – Certain State spending obligations are covered by statutory continuing appropriations; i.e., in situations where annual line-item appropriations are not enacted, an appropriation is established by the Comptroller equal to the amount required to be spent by statute in lieu of an annual appropriation. Public Acts can create funding formulas and continuing appropriations as well as line-item appropriations. For example, the State's contributions to the five State funded retirement systems are covered by continuing appropriation language (as more fully described in APPENDIX E—PENSION AND OTHER POST EMPLOYMENT BENEFITS). Additionally, as described above, debt service payments on GO Bonds from the GOBRI Fund are covered by statutory continuing appropriations to make payments to bondholders.
- *Statutory transfers to other State funds* – Certain transfers must be made from one fund into another fund in the State Treasury based on existing statutes. Transfers from the General Funds and Road Fund into the GOBRI Fund occur through statutory transfers.
- *Court Orders/Consent Decrees* – In Fiscal Year 2016 and Fiscal Year 2017, certain spending from the General Funds occurred without passage of a full State budget when the State was ordered to make such payments by court order or consent decree. Various court actions taken since July 2015 and prior consent decrees directed the State, through the Office of the Comptroller, to continue to make payments in the absence of appropriations for items such as State employee salaries, payments to Medicaid providers, the operations of the Department of Children and Family Services and the Department of Juvenile Justice, and certain social service programs. The social service spending consent decrees came from federal court action. Much of the spending on these programs continued at Fiscal Year 2015 levels as directed by the courts.

REVIEW OF FISCAL YEAR 2016

The Fiscal Year 2016 General Funds Budget was never fully enacted. In February 2015, the Governor proposed a Fiscal Year 2016 Budget (described below and available on GOMB's website (see APPENDIX F—WEBSITE INDEX)) that recognized a significant deficit between revenues and expenditures if spending was allowed to continue on an "auto pilot" or maintenance basis (i.e., with no increase in revenues, no changes to State statutes or other spending controls). This forecast reflected the statutory tax rates in effect at the time of his proposal, including the impact of the decrease in the individual and corporate state income tax rates on January 1, 2015. The Governor recommended, among other things in his proposal, reductions in General Funds spending, reductions in statutory transfer levels, and pension reforms to reduce the cost of State pensions.

In May 2015, the General Assembly passed several appropriation bills and presented them to the Governor for his approval. In June 2015, the Governor signed some appropriations into law, including full-year funding for elementary and secondary education, State payments to the Teachers' Retirement System and capital appropriations for the Illinois Department of Transportation. However, during the summer, the Governor vetoed the majority of appropriation bills passed by the General Assembly, including bills funding the majority of the State's General Funds budget, noting that projected spending from those proposals exceeded forecasts of available revenue by over $4 billion. During Fiscal Year 2016, other appropriations were enacted for some Fiscal Year 2016 costs, including some higher education costs, spending of certain federal revenues, and most appropriations from State funds outside of the General Funds.

Fiscal Year 2016 Spending in Absence of a Budget

As described above, certain spending continued to occur in the absence of a budget. During Fiscal Year 2016, General Funds spending occurred in the following approximate amounts:

- *Appropriations signed into law* – Enacted Fiscal Year 2016 General Funds appropriations totaled $11.4 billion. Certain General Funds appropriations were enacted into law, including $6.9 billion in spending on elementary and secondary education costs, $3.7 billion for the State's annual contribution to the Teachers' Retirement System, $600 million in General Funds appropriations for State universities, community colleges and monetary assistance grants for college students.

- *Continuing appropriations authorized by statute* – Fiscal Year 2016 General Funds continuing appropriations spending totaled approximately $3.4 billion. Approximately $3 billion in General Funds appropriations were established for payments to the State's retirement systems in addition to the amount appropriated for the Teachers' Retirement System. Additionally, certain spending related to some retiree health care costs and operations of the legislative and judicial branches continued pursuant to continuing appropriations.

- *Debt service and other statutory transfers to other State funds* – $2.0 billion in General Funds transfers to the GOBRI Fund for debt service on GO Bonds and approximately $2.5 billion in transfers to other State funds for other purposes, primarily the Local Government Distributive Fund and mass transit funding for the Regional Transportation Authority and for downstate transit systems, were authorized to be transferred in Fiscal Year 2016 from the General Funds under State statutes. Transfers out of the General Funds totaled $4.5 billion.

- *Court Orders/Consent Decrees* –Approximately $12.4 billion in spending from the General Funds occurred in Fiscal Year 2016 through court orders, including approximately $6.1 billion on Medicaid-related costs and approximately $3 billion on State employee salaries and related costs.

Fiscal Year 2016 Revenues

Fiscal Year 2016 total State General Funds operating revenues, federal moneys and transfers in (not including $125 million in transfers from the Budget Stabilization Fund) totaled $31.3 billion, a $5.0 billion decrease from Fiscal Year 2015, largely reflecting the full year impact of the reduction in the individual and corporate income tax rates on January 1, 2015 and no transfers of excess balances from other State funds that had occurred in Fiscal Year 2015 in the amount of $1.2

billion. State revenue sources and transfers from other State funds (excluding Budget Stabilization Fund transfers) totaled $28.8 billion, of which the State's three primary sources (individual income tax, corporate income tax and sales tax) comprised 83.3 percent.

Individual income tax revenues to the General Funds decreased $2.1 billion, or 13.2 percent, from Fiscal Year 2015 to $13.8 billion, primarily reflecting the reduction of the individual income tax rate from 5.0% to 3.75% on January 1, 2015. Net individual income tax receipts reflected 9.75 percent of total individual income tax revenues being deposited into the Income Tax Refund Fund for payment of individual income tax refunds and $916 million deposited into the Commitment to Human Services Fund and the Fund for the Advancement of Education, which are now classified as General Funds.

Corporate income tax revenues deposited into the General Funds totaled $2.0 billion, a $717 million, or 26.7 percent, decrease from Fiscal Year 2015, primarily due to the rate decrease from 7.0% to 5.25% on January 1, 2015. This amount reflects 15.5 percent of total corporate income tax revenues being diverted to the Income Tax Refund Fund for payment of corporate income tax refunds.

Fiscal Year 2016 General Funds sales taxes totaled $8.1 billion, an increase of $33 million or 0.4 percent from Fiscal Year 2015.

All other State sources decreased by $225 million, due in part to an $80 million decrease in public utility tax receipts.

Base revenues transfers in (excluding any transfers from interfund borrowing or the Budget Stabilization Fund) decreased by $1.4 billion to $1.6 billion. This decrease was primarily due to a one-time transfer of $1.2 billion of excess fund balances in other State funds to the General Funds statutorily authorized in Fiscal Year 2015.

Federal revenues, driven primarily by Medicaid spending and matching federal moneys and the timing of the release of those payments by the Comptroller, decreased from Fiscal Year 2015 by $666 million or 20.0 percent, to $2.7 billion. As revenues are recognized on a cash basis, federally matched moneys received for vouchers released after June 30, 2016 were recorded in Fiscal Year 2017.

Fiscal Year 2016 Expenditures

Total General Funds operating expenditures and transfers to other State funds processed through the Office of the Comptroller for Fiscal Year 2016 totaled $31.7 billion (excluding prior year adjustments), including the amount spent from the Fund for the Advancement of Education. Expenditures on the operating budget, reflecting spending from appropriations, continuing appropriations and court orders and consent decrees, totaled $27.2 billion, a decrease of $4.0 billion, or 12.7 percent, from Fiscal Year 2015. General Funds pension contributions totaled $6.6 billion, an increase of $585 million, or 9.7 percent, from Fiscal Year 2015

Certain obligations or the State were not paid during Fiscal Year 2016 while services and delivery of goods continued with vendors and providers expecting future payments. Areas for which the State did not provide payments at Fiscal Year 2015 levels from the General Funds, but for which the State has historically provided significant financial commitment, include General Revenue Fund payments to State employee health insurance providers (some payments moved to providers from other State funds), operational costs of certain State agencies, and social service programs that were not covered under a court order or consent decree. The State estimates that the General

Funds financial commitment of the State in Fiscal Year 2016 for State employee health insurance providers and other State operational and grant costs, not including higher education, totaled approximately $3.0 billion. Portions of these unaddressed commitments were paid for with Fiscal Year 2017 appropriations.

In addition, enacted appropriations for higher education were below historical levels of higher education funding, approximately $1 billion below the amount in the Governor's Fiscal Year 2016 budget proposal.

Fiscal Year 2016 Results

After adjusting for transfers due to the General Funds, as reported by the Comptroller, Fiscal Year 2016 results reflect a $172 million decrease in the General Funds budgetary balance (i.e., the June 30 cash balance less the General Funds obligations paid in the State's lapse period) from a deficit of $2.9 billion in Fiscal Year 2015 to a deficit of $2.8 billion in Fiscal Year 2016. However, this only reflects the amounts processed through the Office of the Comptroller for Fiscal Year 2016 and does not reflect the approximately $3.0 billion discussed above for which costs were incurred but the State was unable to pay due to the lack of sufficient appropriations.

REVIEW OF FISCAL YEAR 2017

A full Fiscal Year 2017 General Funds Budget was never enacted. As of May 31, 2016, no appropriation bills for Fiscal Year 2017 spending had passed both chambers of the General Assembly. On June 30, 2016, Public Act 99-523 and Public Act 99-524 were signed into law by the Governor, authorizing an agreed stop gap or "bridge" funding plan to keep government functioning until the General Assembly and the Governor could come to agreement on a full Fiscal Year 2017 budget. The "bridge" plan as enacted included a full year of Fiscal Year 2017 funding for elementary and secondary education, full-year authority to spend all federal and other state funds outside of the General Funds for Fiscal Year 2017, capital appropriations for the state's road program and some of the state's other construction projects and limited Fiscal Year 2017 General Funds appropriations for costs of critical state government operations incurred through December 31, 2016.

The enacted legislation permanently forgave repayment of the 2015 interfund borrowing that would have been due in Fiscal Year 2017. It authorized the spending of $275 million from the Budget Stabilization Fund, $97 million in funding for community colleges from the Personal Property Tax Replacement Fund, $701 million from the Commitment to Human Services Fund and $453 million from the Fund for the Advancement of Education for purposes traditionally supported by the general funds. In addition, the "bridge" funding plan included a new hospital assessment to capture additional federal match associated with higher than anticipated Medicaid enrollment of newly eligible individuals under the ACA. The new assessment alleviated $150 million in state revenue pressure. Public Act 99-523 also altered some of the requirements for Fiscal Year 2017 issuances of GO Bonds for refunding purposes and Build Illinois refunding bonds in order to allow the state to save on debt service costs. Refunding GO Bonds were issued in the fall of 2016 which will result in debt service savings of $229.0 million over the life of such GO Bonds, including savings of $30.5 million in Fiscal Year 2017.

As part of the Fiscal Year 2018 budget legislation, additional supplemental appropriations for Fiscal Year 2017 were included in PA 100-21, effective July 6, 2017. This act included $1.9 billion in additional Fiscal Year 2017 General Funds appropriations for higher education, elementary and secondary education and other purposes

Fiscal Year 2017 Spending in Absence of a Budget

The State began Fiscal Year 2017 on July 1, 2016 without a fully enacted budget in place. As described above, certain State spending continued to occur in the absence of a full budget as it did in Fiscal Year 2016.

- *Appropriations signed into law* – PA 99-524 and PA 100-21 included General Funds spending totaling approximately $7.5 billion on elementary and secondary education, $2.1 billion on higher education, $1.4 billion for human service programs and approximately $800 million on State agency operations.
- *Continuing appropriations authorized by statute* – Approximately $6.9 billion in General Funds appropriations were established for payments to the State's retirement systems in the absence of enacted appropriations. Additionally, certain expenditures were made related to some retired teacher health care costs and operations of the legislative and judicial branches pursuant to continuing appropriations. In total, approximately $7.5 billion in spending occurred in Fiscal Year 2017 through continuing appropriations.
- *Debt service and other statutory transfers to other State funds* – Approximately $2.2 billion in estimated General Funds transfers to the GOBRI Fund for debt service on GO Bonds and approximately $2.4 billion in transfers to other State funds for other purposes, primarily the Local Government Distributive Fund and mass transit funding for the Regional Transportation Authority and for downstate transit systems, occurred from the General Funds in Fiscal Year 2017 under State statutes.
- *Court Orders/Consent Decrees* – Court orders and consent decrees required the State to continue to make payments in the absence of appropriations in Fiscal Year 2017 for costs such as State employee salaries, payments to Medicaid providers, and certain social service programs. In total, approximately $14.2 billion in spending from the General Funds occurred in Fiscal Year 2017 through these court orders and consent decrees, including approximately $6.4 billion on Medicaid-related costs.

Fiscal Year 2017 Revenues

Base General Funds revenues for Fiscal Year 2017 totaled $30.3 billion, a decrease from Fiscal Year 2016 revenues of $957 million (3.1 percent). The State's three largest revenue sources, individual income tax, corporate income tax and State sales tax, totaled $23.0 billion, a net decrease of $806 million or 3.4 percent when compared to such revenues for Fiscal Year 2016. Individual income taxes totaled $13.7 billion, a $145 million (1.1 percent) decrease from Fiscal Year 2016. Corporate income taxes totaled $1.3 billion, a decrease of $641 million (32.5 percent) from Fiscal Year 2016.

Sales taxes totaled $8.0 billion, a $20 million, or 0.2 percent, decrease from Fiscal Year 2016. Other State source revenues totaled $3.3 billion and transfers in from other State funds totaled $1.5 billion.

Federal revenues totaled $2.5 billion, a decrease of $182 million from Fiscal Year 2016. This amount was lower than forecasted due to delays in releasing Medicaid payments that qualified for federal reimbursement. As revenues are recognized on a cash basis, federally matched moneys received for vouchers released after June 30, 2017 will be recorded in Fiscal Year 2018.

Fiscal Year 2017 Expenditures

General Funds operating expenditures and transfers to other State funds processed through the Office of the Comptroller for Fiscal Year 2017 totaled $35.7 billion (excluding prior year adjustments). Expenditures on the operating budget, not including pension contributions, totaled $24.1 billion, an increase of $3.5 billion (17.2 percent) from Fiscal Year 2016. General Funds pension contributions totaled $7.0 billion, an increase of $319 million (4.8 percent). Fiscal Year 2017 General Funds appropriations included language allowing State agencies to pay amounts carried over from Fiscal Year 2016 with Fiscal Year 2017 appropriations. Certain Fiscal Year 2017 appropriations were used to pay Fiscal Year 2016 commitments.

Utilizing Fiscal Year 2017 appropriations for Fiscal Year 2016 costs limited agencies' ability to process vouchers through the Comptroller's office for Fiscal Year 2017 obligations. Not all current obligations of the state were paid during Fiscal Year 2017, while services continued with expectations for future payments. Areas for which the State did not provide payments at previous years' levels from the General Funds, but for which the State has historically provided significant financial commitment, include General Revenue Fund payments to state employee health insurance providers and operational costs of certain state agencies.

Fiscal Year 2017 Results

After adjusting for transfers due to the General Funds as reported by the Comptroller, Fiscal Year 2017 results reflect a $5.1 billion decrease in the General Funds budgetary balance (the June 30 cash balance less the General Funds obligations paid in the State's lapse period). The deficit rose from $2.8 billion in Fiscal Year 2016 to a deficit of $8.0 billion in Fiscal Year 2017.

FISCAL YEAR 2018 BUDGET

Fiscal Year 2018 Budget Actions

As of May 31, 2017, no appropriations bills for spending for Fiscal Year 2018 had passed both chambers of the General Assembly. After this date, the Illinois Constitution requires that changes in law and appropriations may be immediately effective only with the approval of 3/5ths of the members of each chamber rather than a simple majority.

Fiscal Year 2018 began on July 1, 2017. In early July, the General Assembly passed a Fiscal Year 2018 budget package, including appropriations and revenue increases. The Governor vetoed the bills related to the budget package on July 4, 2017, citing imbalances in the proposed Fiscal Year 2018 General Funds budget. The Senate and the House of Representatives overrode the Governor's veto of the budget package, and three budget-related Public Acts went into effect on July 6, 2017 – PA 100-21 (appropriations), PA 100-22 (revenues) and PA 100-23 (the budget implementation statutory changes).

Included in PA 100-22 were permanent increases in the individual income tax rate from 3.75 percent to 4.95 percent and in the corporate income tax rate from 5.25 percent to 7.0 percent, effective July 1, 2017. Other changes included revisions to certain tax credits and corporate income tax deductions.

PA 100-23 included several legislative changes, some of which affected the State's Fiscal Year 2018 General Funds Budget. These items include:

- For Fiscal Year 2018, State income and sales tax revenue shared with local governments shifting from a legislative transfer from the General Revenue Fund after income and sales taxes are deposited into the fund to a direct deposit into the Local Government Distributive Fund, Public Transportation Fund and Downstate Public Transportation Fund at the time revenues are collected. See APPENDIX A- Part IV: Tax Review. Local governments are expected to receive their payments from the State more quickly under this structure.
- Authorization for the State to issue up to $6 billion in Section 7.6 Bonds which were issued on November 8, 2017 and generated proceeds of approximately $6.5 billion. The proceeds of the issuance of the Section 7.6 Bonds were used to reduce the State's accumulated unpaid bills by paying State vouchers incurred prior to July 1, 2017.
- Authorization for the Comptroller to reallocate in Fiscal Year 2018 up to $292.8 million from specific funds in the State Treasury to the General Revenue Fund, Budget Stabilization Fund, Healthcare Provider Relief Fund, or Health Insurance Reserve Fund, to enable the Comptroller to reduce the backlog of bills.
- Authorization for the Comptroller to temporarily transfer balances in other State funds in State Treasury to General Funds or the Health Insurance Reserve Fund prior to December 31, 2018 to assist with the liquidity of the funds and assist in decreasing the State's payables. Any such interfund borrowing amounts are required to be paid back within 24 months of the borrowing under current statute. Outstanding interfund borrowing cannot at any time exceed $1.2 billion.
- As described above, General Funds have been defined to include the General Revenue Fund, the Common School Fund, the General Revenue-Common School Special Account Fund, the Education Assistance Fund, the Fund for the Advancement of Education, the Commitment to Human Services Fund and the Budget Stabilization Fund.

On August 31, 2017, the Governor signed Public Act 100-465 into law, which provided for an evidence-based method of allocating funding among the State's school districts.

Revised Fiscal Year 2018 Estimated Revenues

Total General Funds revenues, as impacted by the changes to the individual income tax and corporate income tax rates, for Fiscal Year 2018 are projected to be $36.8 billion, an increase of $6.5 billion, or 21.3 percent, when compared to Fiscal Year 2017 results under the previous definition of General Funds. This increase primarily reflects an increase of $4.5 billion in individual income tax and corporate income tax revenues due to the increase in the individual income tax rate from 3.75 percent to 4.95 percent and the corporate income tax rate from 5.25 percent to 7.0 percent, effective July 1, 2017.

Individual income taxes deposited into the General Funds are estimated to total $17.6 billion, while corporate income taxes are estimated to total $1.9 billion for Fiscal Year 2018. These estimates include an estimated $1.2 billion to be deposited into the Commitment to Human Services Fund and the Fund for the Advancement of Education that are now included in the definition of General Funds. These numbers also reflect the impact of the direct deposit of income tax revenue sharing with local governments, estimated to total $1.1 billion.

Net sales tax revenue deposits into the General Funds are estimated to total $8.0 billion, reflecting the impact of the deposit of $448 million directly into local transit funds. Revenues from other state sources are expected to total $3.3 billion.

Federal sources are projected to increase to $3.4 billion in Fiscal Year 2018 from the actual Fiscal Year 2017 totals of $2.5 billion. Use of the proceeds from the Section 7.6 Bonds to pay down prior year Medicaid liabilities is expected to add an additional $1.2 billion to Fiscal Year 2018 totals. This additional amount is not included in the base resources for Fiscal Year 2018 as it is attributable to the payment of prior year liabilities.

Transfers in, not including amounts from fund reallocations or interfund borrowing authorized in PA 100-23, are projected to increase to $1.7 billion in Fiscal Year 2018 from actual Fiscal Year 2017 results of $1.5 billion.

Fund reallocations in the approximate amount of $293 million were authorized in PA 100-23 along with statutory authority for the Comptroller to borrow from available balances in other State funds up to an aggregate amount of $1.2 billion over Fiscal Years 2018 and 2019 for deposit into the General Funds or the Health Insurance Reserve Fund in order to meet cash flow deficits and maintain liquidity in such funds. A total of $875 million in fund reallocations and interfund borrowing is included in the Fiscal Year 2018 estimate. Interfund borrowing must be repaid within 24 months of such borrowing, but the Governor has proposed removing the requirement to pay back the interfund borrowing from the statute. As of March 1, 2018, the Comptroller had transferred $251.0 million under the fund reallocation authorization and borrowed $516.3 million through interfund borrowing powers and deposited such amounts into the General Revenue Fund.

Fiscal Year 2018 Estimated Expenditures

Total General Funds expenditures, with the revised definition of General Funds for Fiscal Year 2018, are estimated to be $37.4 billion, an increase of $1.7 billion or 4.8 percent from Fiscal Year 2017 results. Notable changes in estimated spending include an increase in appropriations of $493 million for elementary and secondary education (not including the $221 million contribution to the Chicago teachers' pension system) and an increase in General Funds pension contributions of $51 million (reduced from original estimates as described in APPENDIX E – PENSION AND OTHER POST EMPLOYMENT BENEFITS – 2017 Legislation Modifying Pension Structure). Additionally, the Fiscal Year 2018 General Funds estimate includes General Revenue Fund appropriations of $1.9 billion for State employee and retiree health insurance which was not covered by a General Revenue Fund appropriation in Fiscal Year 2016 or Fiscal Year 2017.

Statutory transfers out of the General Funds are projected to decline by $1.8 billion to $586 million in Fiscal Year 2018 from actual Fiscal Year 2017 results of $2.4 billion due to having direct deposits of the State's local government revenue sharing portions of income and sales taxes into other State funds instead of the prior practice of depositing them into the General Funds and transferring them out to the other State funds. Approximately $1.6 billion of local government revenue sharing is estimated to be direct deposited in Fiscal Year 2018 to other State funds instead of deposited into the General Funds before transfer to the other State funds. Additionally, debt service for GO Bonds, including pension bonds and Section 7.6 Bonds, is projected to total $2.8 billion from the General Funds. The State estimates that transfers will average approximately $234 million per month from the General Revenue Fund after the issuance of the Bonds.

Fiscal Year 2018 Estimated Budget Results

With these assumptions total Fiscal Year 2018 General Funds expenditures are estimated to exceed Fiscal Year 2018 General Funds base revenues by approximately $590 million. However, this deficit is expected to be reduced by two one-time sources in Fiscal Year 2018:

- The transfer into the General Funds of a portion of the proceeds of the Section 7.6 Bonds will appear to reduce the deficit, and will lead to the General Funds showing a surplus on a reporting basis because the amount transferred into the General Revenue Fund will be recorded as a cash basis receipt, thereby increasing the amount of the state's reported revenues. On November 8, 2017, the Comptroller transferred $2.5 billion of the proceeds of the Section 7.6 Bonds to the General Revenue Fund.
- Medicaid bills return to a more timely payment cycle as the $2.5 billion of the proceeds of the Section 7.6 Bonds were used to pay Medicaid bills, generating additional federal revenues. Approximately $1.2 billion of these revenues are due to the paydown of prior year Medicaid liabilities. See "—Fiscal Year 2018 Bill Payment Delays" herein.

Fiscal Year 2017 results did not include certain estimated expenditures for which there was no Fiscal Year 2017 appropriation. To address the remaining General Funds operational costs and grant commitments, the Governor is proposing $1.1 billion in supplemental appropriations.

The General Funds total of budget basis accounts payable, Section 25 Liabilities and income tax refunds outstanding at June 30, 2018 is estimated to total $9.5 billion.

Even with the estimated Fiscal Year 2018 General Funds operating deficit of $590 million, the State estimates that the backlog of bills held by the Comptroller and the agencies will decrease during Fiscal Year 2018 compared to Fiscal Year 2017 and payment delays to the State's vendors will decrease due in part to the issuance of the Section 7.6 Bonds. On November 8, 2017, immediately prior to the issuance of the Section 7.6 Bonds, the amount of backlogged bills equaled approximately $16.675 billion. The State estimates that the backlog of bills as of June 30, 2018 will be approximately $7.7 billion. The average estimated bill backlog between December 2010 and June 2015 (calculated based on the estimated backlog amounts on June 30 and December 31 of each year, beginning December 31, 2010) was $7.1 billion.

Fiscal Year 2018 Bill Payment Delays.

State agencies are submitting vouchers for payment to the Comptroller for items that have enacted annual appropriations or continuing appropriations. Depending on the revenues available to make such payments, there may be delays in making those payments to the vendors. As of March 1, 2018, the Comptroller was holding $6.0 billion in unpaid General Funds vouchers and pending transfers.

The estimates of the amounts on hold at the agencies include bills that accumulated due to the lack of appropriations in Fiscal Year 2016 and Fiscal Year 2017 for General Revenue Fund State employee health insurance costs and estimated amounts not appropriated in Fiscal Year 2017 and carried forward in Fiscal Year 2018 for State agency costs.

On June 30, 2017, a federal judge ordered the Comptroller to comply with the *Memisovski* and *Beeks* consent decrees by prioritizing certain payments to medical providers serving Medicaid clients as significant delays in payments to Medicaid providers were occurring. The direction from the court was to ensure payment of $586 million of monthly payments to Medicaid providers (including managed care providers). The court also ordered that Medicaid providers must be paid an additional $2 billion in Fiscal Year 2018 to begin reducing the accumulated backlog of Medicaid bills on hold at the Comptroller's office. These are gross payments, inclusive of the share that would be covered by reimbursement by the federal government under the Medicaid program. For additional details, see "LITIGATION – *Beeks v. Bradley* and *Memisovski v. Maram*". A portion of the proceeds of the Section 7.6 Bonds were used to make some of these Medicaid payments.

On November 8, 2017, the Comptroller transferred $2.5 billion to the General Revenue Fund and approximately $4.0 billion to the Health Insurance Reserve Fund from the Section 7.6 Bond proceeds, which significantly reduced the amount of State employee health insurance and Medicaid bills on hold. This paydown in Medicaid bills generated federal match revenues in the amount of $1.2 billion. The federal matching funds were used to pay additional Medicaid bills, generating an additional $1.0 billion in federal matching funds. Therefore, in the aggregate, $4.7 billion in Medicaid bills were paid as a result of the issuance of the Section 7.6 Bonds and the federal match.

GOVERNOR'S FISCAL YEAR 2019 BUDGET PROPOSAL

On February 14, 2018, Governor Rauner presented his Fiscal Year 2019 budget proposal. The following is a brief summary of certain aspects of this proposal. For additional information, see the Fiscal Year 2019 Budget Book, available as set forth in APPENDIX F—WEBSITE INDEX.

Fiscal Year 2019 Projected Revenues.

The Fiscal Year 2019 General Funds budget proposal estimates General Funds operating revenues and transfers in from other State funds to be $38.0 billion in Fiscal Year 2019, an increase of $1.2 billion, or 3.2 percent, from the estimated Fiscal Year 2018 levels. The State's three largest revenue sources, individual income tax, corporate income tax and State sales tax, are estimated to total $28.3 billion, a net increase of approximately $816 million, or 3.0 percent, when compared to Fiscal Year 2018 estimates. The estimate assumes deposits of approximately $1.6 billion into the Local Government Distributive Fund, Public Transportation Fund and Downstate Public Transportation Funds from income and sales tax receipts prior to the deposit of these revenue sources into the General Funds. Fiscal Year 2019 total revenues also reflect the receipt of $300 million of non-recurring revenues from the anticipated divestiture of the James R. Thompson Center.

The Fiscal Year 2019 General Funds budget proposal projects that federal revenues will total $3.8 billion, an increase of $336 million, or 9.8 percent from Fiscal Year 2018 federal revenues net of the additional $1.2 billion in revenues from the payment of prior year Medicaid liabilities. Budgeted transfers in for Fiscal Year 2019 are projected to be $1.8 billion, an increase of $44 million, or 2.6 percent above current Fiscal Year 2018 estimates. Also included in Fiscal Year 2019 base revenues is $600 million in interfund borrowing. The Governor has proposed removing the requirement to pay back the interfund borrowing from the statute.

Fiscal Year 2019 Projected Expenditures. The Governor's Fiscal Year 2019 General Funds budget proposal focuses on spending in areas that are the State's core priorities and on transforming State government so that the taxpayers' dollars are spent in the most efficient way possible. After accounting for certain reforms outlined in the budget proposal, the Fiscal Year 2019

General Funds budget proposal includes expenditures and transfers from the General Funds of $37.6 billion. This is $240 million, or 0.6 percent, above the amount of estimated spending in Fiscal Year 2018. The Fiscal Year 2019 General Funds budget proposal projects transfers out to other State funds, including debt service, to total $3.2 billion, a decrease of $209 million from Fiscal Year 2018.

The Governor's Fiscal Year 2019 General Funds budget proposal relies in part on reducing the State's contribution to the Teachers' Retirement System ("TRS"), the Public School Teachers' Retirement and Pension Fund of Chicago ("CTRS"), and the State Universities Retirement System ("SURS") by aligning the responsibility for making such contributions with the specific institutions responsible for incurring the related costs; namely, the individual school districts, community colleges and universities that employ members of TRS, CTRS and SURS. To realign these costs, the budget proposal seeks to shift the responsibility for payment of the "normal cost" (as described in APPENDIX E—PENSION AND OTHER POSTEMPLOYMENT BENEFITS) of pension benefits to such school districts, community colleges and universities over a period of four years for TRS and SURS. With respect to CTRS, the Fiscal Year 2019 General Funds budget proposal would shift responsibility for funding CTRS entirely back to the Chicago Public Schools, which was responsible for funding contributions to CTRS prior to Fiscal Year 2018, beginning in Fiscal Year 2019. The proposal also eliminates the State's funding of retiree health insurance with respect to TRS, CTRS and SURS members, and shifts more of the cost of group health insurance for university employees to the universities that employ them. All of these proposals, taken together, constitute the "Cost Shift Proposal").

The Cost Shift Proposal requires amendment to various provisions of the Illinois Pension Code, as amended (the "Pension Code"), and other laws, and, as such, requires the approval of the General Assembly. If enacted in the form set forth in the Fiscal Year 2019 General Funds budget proposal, the State estimates that the Cost Shift Proposal would reduce the State's Fiscal Year 2019 pension expenditures by $526 million (consisting of $262 million with respect to TRS, $101 million with respect to SURS, and $163 million with respect to CTRS), the State's Fiscal Year 2019 retiree health care expenditures by $194 million (consisting of $65 million with respect to retirees in CTRS, $4.4 million with respect to retirees in SURS, and $125 million with respect to retirees in TRS), and the State's group health insurance expenditures by $105 million. The State provides no assurances as to how, when or in what form a Cost Shift Proposal may be adopted.

The Governor's Fiscal Year 2019 General Funds budget proposal also relies in part on estimated savings of $470 million to be generated by restructuring group health insurance offered to State employees by providing more-and-less-generous plans from which employees can choose, and by setting employee premium contributions at levels more consistent with group health plans offered by private employers. As with the Cost Shift Proposal, this initiative would require changes in law that must be approved by the General Assembly. The State provides no assurances as to how, when or in what form a group health insurance restructuring initiative may be adopted.

Fiscal Year 2019 Projected Results. If enacted in the form proposed, the proposed Fiscal Year 2019 General Funds Budget would result in a budgetary surplus of $351 million, which would be earmarked to address the bill backlog.

On March 21, 2018, after the Fiscal Year 2019 General Funds budget proposal was prepared and presented, the Illinois Supreme Court gave notice that it rejected the State's appeal in the AFSCME Decision, as defined and as described under "—COLLECTIVE BARGAINING" herein. As a result of the AFSCME Decision, the State will have to pay step increases retroactively to July 1, 2015, and continue to pay them prospectively (in the absence of a new collective bargaining agreement). The State expects to request an appropriation in the Fiscal Year 2019 budget to cover the Fiscal Year 2016, 2017 and 2018 costs for the step increases. The State expects to cover the Fiscal Year 2019 costs with increases to appropriations for regular Fiscal Year 2019 operating expenditures. The State estimates that the Fiscal Year 2019 impact of paying retroactive and continuing step increases in compliance with the AFSCME Decision will exceed $300 million; provided, however, that this estimate is preliminary and subject to change. Payment of these additional costs will reduce the surplus contained in the Fiscal Year 2019 General Funds budget proposal.

Consideration Model Pension Reform Proposal. The Fiscal Year 2019 Budget Book also contains a description of the Governor's pension reform proposal, which is referred to as the "Consideration Model." Although the Consideration Model is included as part of the Fiscal Year 2019 Budget Book, the Governor's Fiscal Year 2019 General Funds budget proposal does not rely on the implementation of the Consideration Model to achieve a balanced Fiscal Year 2019 General Funds budget. Under the Consideration Model, employees participating in TRS, SURS and the State Employees Retirement System ("SERS") would be given the option to choose more near-term financial benefits if they give up a portion of their longer-term retirement annuity benefits. Implementation of the Consideration Model would require the General Assembly to adopt legislation modifying the Pension Code and may be subject to challenge as to its constitutionality. The Governor's Fiscal Year 2019 General Funds budget proposes a 0.25% reduction in the individual income tax rate if, and only if, the Consideration Model is enacted and implemented. Such a reduction in the individual income tax rate would require the approval of the General Assembly. The State provides no assurances as to how, when or in what form the Consideration Model may be adopted, nor does the State provide any assurances as to the outcome of any legal challenge with respect to some form of the Consideration Model.

COLLECTIVE BARGAINING

Approximately 93% of State employees are covered by collective bargaining agreements. As of May 31, 2017, the State completed negotiations with 21 labor organizations for successor collective bargaining agreements for the July 1, 2015-June 30, 2019 time period, covering approximately 5,000 employees. The State continues to negotiate with other labor organizations representing the remaining employees under the jurisdiction of the Governor. The State has entered into tolling agreements with several unions, including the American Federation of State, County and Municipal Employees ("AFSCME") (which represents approximately 83% of those State employees covered by collective bargaining agreements).

These agreements provide that neither party will implement a strike or lockout until they are at an impasse in negotiations.

After nearly a year of negotiations with AFSCME, on January 15, 2016, the State asked the Illinois Labor Relations Board (the "ILRB") to determine whether negotiations between the State and AFSCME are at an impasse. The ILRB ruled in favor of the State, and AFSCME has sought judicial review in the appellate courts. The Appellate Court has issued a stay that prohibits the parties from changing the status quo pending appeal. Until the dispute is resolved, the parties continue to operate under their statutory obligations pursuant to the tolling agreements. The State also filed an unfair labor practice charge with the ILRB asserting that AFSCME has repudiated its tolling agreements. The ILRB rejected that charge, and that decision is also under review in the appellate court.

Relatedly, after the expiration of the collective bargaining agreement, the State stopped paying step increases to employees under the AFSCME contract. AFSCME filed an unfair labor practices charge, arguing that doing so failed to preserve the status quo between the parties during negotiations. The ILRB dismissed the charge, finding that the status quo included payment of step increases only by agreement of the parties. On November 6, 2017 the Illinois Appellate Court for the Fifth District reversed the ILRB and remanded for further proceedings. On December 11, 2017, the State petitioned for leave to appeal in the Illinois Supreme Court. The Illinois Supreme Court denied the petition on March 21, 2018. The matter will be remanded to the ILRB to take action consistent with the decision of the Appellate Court for the Fifth District, including consideration of whether there are sufficient appropriations to cover the wage increases and determining an appropriate remedy for the nonpayment of wage increases (the *"AFSCME Decision"*).

ECONOMIC AND FISCAL POLICY REPORT: FY 2018–FY 2023

GOMB is required, pursuant to 20 ILCS 3005/7.3 et seq., to prepare annually and submit to the General Assembly an economic and fiscal policy report. Public Act 99-854 moved up the required date of publication of this report from the third business day in January to November 15th and added additional reporting requirements, including two additional years of forecasts and review of fiscal policy options when budgetary shortfalls are projected. This report (the "Economic and Fiscal Policy Report") is intended to provide additional information on the State's economic and fiscal objectives and fiscal policy intentions for the upcoming fiscal year and succeeding four fiscal years, and is not a projection of the financial condition of the State for this period. GOMB also publishes a quarterly unaudited report of revenues, expenditures, and other financing sources of major State funds. These reports are prepared primarily on a modified accrual basis and are available on GOMB's website (see APPENDIX F—WEBSITE INDEX). The most recent Economic and Fiscal Policy Report was released on October 12, 2017. Under the assumptions used in creating the forecast shown in the October 12, 2017 report, which was based on existing law assuming the General Assembly does not enact cost saving structural reforms, discretionary spending reductions or new revenue, the State's bill backlog would increase significantly during future fiscal years. The complete report is available at https://www2.illinois.gov/sites/budget/Pages/PolicyReports.aspx. For a discussion of the State's current bill backlog, see above "—FISCAL YEAR 2018 BUDGET—*Fiscal Year 2018 Estimated Forecasted Expenditures*" and "—*Fiscal Year 2018 Bill Payment Delays*."

GENERAL OBLIGATION INDEBTEDNESS

OUTSTANDING GENERAL OBLIGATION BONDS

Table 6 shows the statutory general obligation bond authorization, Table 7 shows the maturity schedule for all outstanding GO Bonds, and Table 8 provides certain information with respect to all outstanding GO Bonds. Except as noted in such tables, the amount of outstanding GO Bonds shown in Tables 6 and 7 has not been reduced by the remaining amounts otherwise available in the GOBRI Fund.

TABLE 6
GENERAL OBLIGATION BOND AUTHORIZATION
(As of March 1, 2018)

Authorization Category	Amount Authorized[1]	Amount Issued[2]	Authorized Unissued	Amount Outstanding[3]
Multi-purpose	$31,374,577,443	$27,752,338,329	$3,622,239,114	$10,873,225,770
Special-purpose[4]	250,000,000	249,998,067	1,933	0
Refunding Bonds[5]	4,839,025,000	9,271,676,126	1,744,380,000	3,094,645,000
Subtotal	$36,463,602,443	$37,274,012,522	$5,366,621,047	$13,967,870,770
Pension Bonds	17,562,348,300	17,166,000,000	396,348,300	10,075,000,000
Section 7.6 Bonds	6,000,000,000	6,000,000,000	0	6,000,000,000
Total	$60,025,950,743	$60,440,012,522	$5,762,969,347	$30,042,870,770
Currently Authorized Less Refunding Bonds[6]	$55,186,925,743	$51,168,336,396		

Source: Governor's Office of Management and Budget.

1 As authorized under the General Obligation Bond Act, 30 ILCS 330/1 *et seq.*
2 Includes bond premiums, with the exception of the amount shown for the Section 7.6 Bonds.
3 Amount outstanding reflects principal outstanding on March 1, 2018, taking into account principal paid off through March 1, 2018.
4 Special-purpose authorization was to issue bonds to fund Medicaid expenses. This authorization existed only in fiscal year 2010.
5 The State is authorized to issue and have outstanding $4,839,025,000 of GO Refunding Bonds. The authorized unissued amount of refunding bonds is the difference between the amount authorized and the amount outstanding.
6 Section 2 of the General Obligation Bond Act (30 ILCS 330/2) states that the aggregate authorized amount of the general obligation bonds (excluding authorization for refunding bonds) is $55,917,925,743. The difference is attributable to expired authorization for Tobacco bonds (30 ILCS 330/7.5) and a $19,000,000 miscalculation in Section 2 of the Act.

TABLE 7
MATURITY SCHEDULE – GENERAL OBLIGATION BONDS
(As of March 1, 2018, giving effect to the issuance of the Bonds)[1]

Fiscal Year June 30	Series 2018A Bonds Principal	Series 2018A Bonds Interest	Series 2018B Bonds Principal	Series 2018B Bonds Interest	General Obligation Capital Improvement and Refunding Bonds[2] Total Principal	General Obligation Capital Improvement and Refunding Bonds[2] Total Interest	General Obligation Section 7.6 November 2017 ABCD Bonds Principal	General Obligation Section 7.6 November 2017 ABCD Bonds Interest	General Obligation Pension Bonds Principal	General Obligation Pension Bonds Interest	Total Combined Total Debt Service
2018					$ 939,202,806	$ 757,858,972		$ 143,704,132	$ 1,050,000,000	$ 568,615,500	$ 3,459,381,411
2019	$ 18,000,000	$ 22,550,000	$ 5,000,000	$ 2,444,444	964,512,317	753,947,091	$500,000,000	286,537,500	1,075,000,000	511,105,500	4,091,102,408
2020	18,000,000	22,162,500	5,000,000	2,250,000	938,221,629	710,940,344	500,000,000	261,537,500	225,000,000	449,550,000	3,085,249,474
2021	18,000,000	21,262,500	5,000,000	2,000,000	921,885,883	656,473,071	500,000,000	236,537,500	275,000,000	438,412,500	3,028,308,954
2022	18,000,000	20,362,500	5,000,000	1,750,000	898,627,410	598,602,253	500,000,000	211,537,500	325,000,000	424,800,000	2,958,567,163
2023	18,000,000	19,417,500	5,000,000	1,500,000	889,077,922	555,085,090	500,000,000	186,537,500	375,000,000	408,712,500	2,914,413,013
2024	18,000,000	18,472,500	5,000,000	1,250,000	852,233,968	500,007,927	500,000,000	161,537,500	450,000,000	390,150,000	2,853,929,395
2025	18,000,000	17,752,500	5,000,000	1,000,000	785,418,835	457,469,665	500,000,000	136,537,500	525,000,000	367,200,000	2,771,626,000
2026	18,000,000	16,672,500	5,000,000	750,000	792,500,000	412,556,365	500,000,000	111,537,500	575,000,000	340,425,000	2,732,018,865
2027	18,000,000	15,592,500	5,000,000	500,000	702,205,000	372,586,690	500,000,000	87,018,750	625,000,000	311,100,000	2,597,910,440
2028	18,000,000	14,512,500	5,000,000	250,000	709,360,000	332,739,540	500,000,000	62,500,000	700,000,000	279,225,000	2,583,824,540
2029	18,000,000	13,432,500			697,210,000	290,382,290	500,000,000	37,500,000	775,000,000	243,525,000	2,543,617,290
2030	18,000,000	12,532,500			642,100,000	252,867,940	500,000,000	12,500,000	875,000,000	204,000,000	2,486,467,940
2031	18,000,000	11,632,500			598,055,000	218,465,190			975,000,000	159,375,000	1,950,895,190
2032	18,000,000	10,732,500			527,150,000	187,313,680			1,050,000,000	109,650,000	1,874,113,680
2033	18,000,000	9,832,500			502,140,000	158,392,800			1,100,000,000	56,100,000	1,816,632,800
2034	18,000,000	8,932,500			538,740,000	128,434,820					667,174,820
2035	18,000,000	8,032,500			484,840,000	100,415,660					585,255,660
2036	18,000,000	7,132,500			386,600,000	74,003,800					460,603,800
2037	18,000,000	6,232,500			338,600,000	55,340,000					393,940,000
2038	18,000,000	5,400,000			283,600,000	38,586,450					322,186,450
2039	18,000,000	4,500,000			251,600,000	24,492,900					276,092,900
2040	18,000,000	3,600,000			104,600,000	13,889,500					118,489,500
2041	18,000,000	2,700,000			104,600,000	9,025,750					113,625,750
2042	18,000,000	1,800,000			63,400,000	4,179,500					67,579,500
2043	18,000,000	900,000			44,200,000	1,555,000					45,755,000
Total	$450,000,000	$296,150,000	$ 50,000,000	$13,694,444	$14,960,680,770	$7,665,612,290	$6,000,000,000	$1,935,522,882	$10,975,000,000	$5,261,946,000	$46,798,761,941

Source: Governor's Office of Management and Budget

Note: Interest on Build America Bonds is shown gross of the 35% Federal subsidy due to the federal budget sequestration.

(1) Includes all debt service paid or payable during Fiscal Year 2018. As such, totals may not match those shown in Table 6 which excludes principal paid during Fiscal Year 2018.

(2) Includes principal and interest on the Bonds. Interest on General Obligation Capital Improvement and Refunding Bonds reflects the 8.1% set-aside amounts for the 2003B variable rate bonds.

TABLE 8
OUTSTANDING GENERAL OBLIGATION BONDS
(As of March 1, 2018)

Par[1]	Bond	Series	Dated Date
$ 750,000,000	General Obligation Bonds	Series of December 2017	December 13, 2017
6,000,000,000	General Obligation Bonds	Series of November 2017	November 8, 2017
480,000,000	General Obligation Bonds	Series November 2016	November 17, 2016
1,303,145,000	General Obligation Refunding Bonds	Series October 2016	November 2, 2016
550,000,000	General Obligation Bonds	Series June 2016	June 29, 2016
480,000,000	General Obligation Bonds	Series January 2016	January 26, 2016
750,000,000	General Obligation Bonds	Series May 2014	May 8, 2014
250,000,000	General Obligation Bonds	Series April 2014	April 17, 2014
1,025,000,000	General Obligation Bonds	Series February 2014	February 13, 2014
350,000,000	General Obligation Bonds	Series December 2013 (Taxable)	December 19, 2013
1,300,000,000	General Obligation Bonds	Series June 2013	July 10, 2013
450,000,000	General Obligation Bonds	Series A of April 2013	April 10, 2013
350,000,000	General Obligation Bonds	Series B of April 2013 (Taxable)	April 10, 2013
50,000,000	General Obligation Bonds	Series September 2012	September 25, 2012
1,797,740,000	General Obligation Refunding Bonds	Series May 2012	May 8, 2012
575,000,000	General Obligation Bonds	Series March 2012	March 27, 2012
525,000,000	General Obligation Bonds	Series A of January 2012	January 20, 2012
275,000,000	General Obligation Bonds	Series B of January 2012 (Taxable)	January 20, 2012
3,700,000,000	General Obligation Bonds	Series February 2011 (Pension)	March 10, 2011
900,000,000	General Obligation Bonds	Series 2010-5 (BABs)	July 21, 2010
300,000,000	General Obligation Bonds	Series 2010-4 (BABs)	July 1, 2010
700,000,000	General Obligation Bonds	Series 2010-3 (BABs)	April 26, 2010
300,000,000	General Obligation Bonds	Series 2010-2 (BABs)	April 26, 2010
56,000,000	General Obligation Bonds	Series March 2010 (Taxable)	April 26, 2010
1,501,300,000	General Obligation Refunding Bonds	Series February 2010	March 3, 2010
1,000,000,000	General Obligation Bonds	Series 2010-1 (BABs)	February 4, 2010
400,000,000	General Obligation Bonds	Series September 2009	September 23, 2009
150,000,000	General Obligation Bonds	Series April 2009	April 14, 2009
125,000,000	General Obligation Bonds	Series April 2008	May 1, 2008
329,000,000	General Obligation Refunding Bonds	Series June 2007B	June 27, 2007
108,000,000	General Obligation Bonds	Series June 2007A	June 26, 2007
150,000,000	General Obligation Bonds	Series April 2007	April 19, 2007
285,000,000	General Obligation Bonds	Series June 2006A	June 29, 2006
274,950,000	General Obligation Refunding Bonds	Series June 2006	June 29, 2006
325,000,000	General Obligation Bonds	Series January 2006	January 18, 2006
300,000,000	General Obligation Bonds	Series September 2005	September 29, 2005
285,000,000	General Obligation Bonds	Series September 2004	September 28, 2004
600,000,000	General Obligation Bonds	Series October 2003B (Variable)[2]	October 30, 2003
10,000,000,000	General Obligation Bonds	Series June 2003 (Pension)	June 12, 2003
62,078,508	College Savings Bonds	Series October 2002	November 1, 2002
375,000,000	General Obligation Bonds	Series November 2001	November 1, 2001
375,000,000	General Obligation Bonds	Series August 2001	August 1, 2001
101,855,029	College Savings Bonds	Series October 2000	October 19, 2000
122,334,152	College Savings Bonds	Series November 1998	November 10, 1998
168,330,467	College Savings Bonds	Series November 1997	November 13, 1997

Source: Governor's Office of Management and Budget

1 Amounts are the original par value as of date of issue.

2 The $600,000,000 Series B of October 2003 was purchased in four separate sub-series on November 7, 2016 by four purchasers. The State has entered into continuing covenant agreements with each of the four purchasers.

SHORT-TERM DEBT

Pursuant to the Illinois Constitution and the Short Term Borrowing Act, the Governor, Comptroller and Treasurer are authorized to borrow limited amounts on a short-term basis. See "STATE OF ILLINOIS—CONSTITUTIONAL PROVISIONS–*Constitutional Provisions Relating to Short-Term Borrowing*." The Short Term Borrowing Act constitutes an appropriation 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 State has no Short-Term Debt currently outstanding, and has not issued Short-Term Debt since July 2010.

VARIABLE RATE BONDS

The Series 2003B Bonds, the only outstanding variable rate GO Bonds of the State, currently outstanding in the aggregate principal amount of $600 million, were purchased in four separate sub-series on November 7, 2016 by four purchasers, and the interest rate-setting mechanism on the Series 2003B Bonds is either a LIBOR-based interest rate or a SIFMA-based interest rate, with a mandatory tender date at the end of the rate period, on November 7, 2018. The State has entered into continuing covenant agreements with each of the four purchasers, which agreements provide that if the Series 2003B Bonds are not paid, redeemed or remarketed on such mandatory tender date, such Series 2003B Bonds will amortize more quickly than their original stated amortization schedule, and will bear interest during that amortization period at a significantly higher interest rate than the interest rate that would otherwise apply to such Series 2003B Bonds. Information regarding such continuing covenant agreements has been posted on the State's EMMA website (the "EMMA Information"). See APPENDIX F—WEBSITE INDEX.

The following Table 9 is a list of the purchasers, principal amounts, interest rate modes and the related sub-series of the Series 2003B Bonds.

TABLE 9
SERIES 2003B BONDS
As of March 1, 2018

Owner	Principal Amount	Interest Rate Mode	Sub-series
DNT Asset Trust[1]	$226,000,000	LIBOR	2003B-1
PNC Bank, National Association	224,000,000	LIBOR	2003B-2
State Street Public Lending Corporation[2]	75,000,000	LIBOR	2003B-3
RBC Municipal Products, LLC[3]	75,000,000	SIFMA	2003B-4

1 An affiliate of JPMorgan Chase Bank, National Association
2 An affiliate of State Street Bank and Trust Company
3 An affiliate of Royal Bank of Canada

As the State's ratings on its general obligation bonds change, the interest rate on the Series 2003B Bonds also adjusts. See the EMMA Information for details.

INTEREST RATE EXCHANGE AGREEMENTS

The State is a party to five separate interest rate exchange agreements originally dated October 1, 2003 (collectively, the "Agreements") to hedge the variable rate on the Series 2003B Bonds 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 are allocated among four separate counterparties (each a “Counterparty,” and collectively, the “Counterparties”). The Agreements’ notional amounts are identified to and amortize with the Series 2003B Bonds until their final maturity on October 1, 2033. Pursuant to Section 9(b) of the Bond Act, net payments under the Agreements are considered interest on the Series 2003B Bonds, which are subject to continuing appropriation for payment by the General Assembly, and are general obligations of the State.

The following chart shows the Counterparties and the respective notional amounts and mark-to-market values for the Agreements as of April 4, 2018.

TABLE 10
INTEREST RATE EXCHANGE AGREEMENTS
(As of April 4, 2018)

Counterparty	Notional Value	Fixed Rate Paid	Variable Rate Received	Counterparty Credit Rating (S&P/Fitch/ Moody's)	Mark-to-Market Value[1]
Barclays Bank PLC[2]	$ 54,000,000	3.89%	82.70% of 1M LIBOR	A / A / A2	$ (6,561,972)
Barclays Bank PLC[3]	54,000,000	3.89%	80.82% of 1M LIBOR	A / A / A2	(6,756,940)
Bank of America, N.A.	54,000,000	3.89%	(4)	A+/A+/Aa3	(7,571,364)
JP Morgan Chase, N.A.	54,000,000	3.89%	(4)	A+ / AA- / Aa3	(7,464,320)
Deutsche Bank AG	384,000,000	3.89%	(4)	A- / BBB+ / Baa2	(54,964,981)
Total	$600,000,000				$(83,319,527)

1 Each mark-to-market value was provided by the counterparty and has not been independently verified by the State.
2 Assumed from AIG Financial Products Corp.
3 Assumed from Merrill Lynch Capital Services, Inc.
4 The variable rate received is 67% of 1 month LIBOR when 1 month LIBOR is ≥ 2.5%, or SIFMA, when 1 month LIBOR is < 2.5%.

The State entered into the Agreements as a means of lowering its borrowing costs when compared to fixed-rate bonds at the time of issuance and limiting interest rate risk inherent in variable-rate debt. The State may terminate the Agreements at any time. In addition, either the State or the Counterparty may terminate the related Agreement if the other party fails to perform under the terms of such Agreement or if the other party’s credit rating is withdrawn, suspended or falls below specified ratings thresholds. Upon such early termination of an Agreement by the State or the Counterparty, the then-current mark-to-market value of the Agreement would become immediately due and payable by the State (if a negative amount) or by the Counterparty (if a positive amount), and in each case the Series 2003B Bonds would continue to bear interest at a variable rate. As of April 4, 2018, the estimated aggregate mark-to-market value for all of the Agreements is negative $83,319,527. The credit ratings trigger applicable to the State’s GO Bonds at which a Counterparty would have the right to terminate its respective Agreement is if the State’s rating is lowered to below “BB+” by S&P or “Ba1” by Moody’s.

The agreements with each of Bank of America, N.A., JPMorgan Chase Bank, NA and Deutsche Bank AG include a “trigger swap,” i.e., the variable rate received by each such counterparty is either 67% of one-month LIBOR when one-month LIBOR is greater than or equal to 2.5%, or SIFMA when one-month LIBOR is less than 2.5%.

The Agreements expose the State to certain additional market and credit risks. Should the mark-to-market value of the Agreements become positive, the State may be exposed to the credit risk of the Counterparties. The State will be exposed to “basis risk” should the variable interest rate payable by the State on the Series 2003B Bonds exceed the variable interest rate payable by the Counterparties to the State pursuant to the Agreements. The State is also exposed to the risk of the bankruptcy of a Counterparty, in which event payments under the relevant Agreement may cease to be made to the State and any payment obligations between the State and the bankrupt Counterparty may be subject to the jurisdiction of the bankruptcy court.

INVESTMENT OF FUNDS

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

FUTURE FINANCINGS

The State continues to implement its 2009 $31 billion capital program, and will continue to issue additional bonds to finance capital expenditures at such times and in such amounts as shall be determined by its capital investment program and subject to market conditions.

The State also periodically reviews its existing debt and has authorization to enter into refunding transactions from time to time as dictated by economic conditions. The State evaluates its short-term cash needs from time to time and based on such evaluations may seek to issue Short-Term Debt due within one year from its date of issuance under existing law.

REVENUE OBLIGATIONS

STATE REVENUE BONDS

Revenue obligations are either those obligations for which the State or an authority of the State dedicates a specific revenue source for debt service or those obligations 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. Debt service with respect to each of these obligations continues to be paid in a timely manner. The State's commitment is based upon various Illinois statutes and upon contractual arrangements with the issuers. A description of each State revenue bond program follows. Table 11 identifies the current level of State revenue bonds indebtedness.

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 $6,246,009,000. The Build Illinois Bond Act (30 ILCS 425) contains restrictions on the issuance of Build Illinois Bonds similar to those contained in the Bond Act and described under "INTRODUCTION—AUTHORITY FOR ISSUANCE."

Build Illinois Bonds are direct, limited obligations of the State payable solely from and secured by an irrevocable, first priority pledge of and lien on moneys on deposit in the Build Illinois Bond

Retirement and Interest Fund, a separate fund in the State Treasury. Such moneys are derived primarily from the State's share of sales tax receipts and certain tax revenues and other moneys transferred from the Capital Projects Fund, to the extent available. 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 sales tax revenues pledged to the bonds.

METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITIES—CIVIC CENTER PROGRAM

In 1989, 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.

TABLE 11
MATURITY SCHEDULE – STATE REVENUE BONDS
As of March 1, 2018

	Build Illinois Bonds		Civic Center Bonds		Total, State Revenue Bonds		
Fiscal Year	Principal	Interest	Principal	Interest	Combined Total Principal	Combined Total Interest	Combined Total Debt Service
2018[1]	$217,005,000	$105,811,315	$ 5,668,835	$ 8,764,290	$ 222,673,835	$114,575,606	$ 337,249,440
2019	204,015,000	96,802,408	5,875,462	8,558,600	209,890,462	105,361,008	315,251,471
2020	187,970,000	88,076,246	6,103,026	8,328,380	194,073,026	96,404,626	290,477,652
2021	157,110,000	80,164,813	5,405,000	168,906	162,515,000	80,333,719	242,848,719
2022	167,570,000	73,840,348	0	0	167,570,000	73,840,348	241,410,348
2023	156,285,000	66,557,873	0	0	156,285,000	66,557,873	222,842,873
2024	149,090,000	59,803,993	0	0	149,090,000	59,803,993	208,893,993
2025	147,975,000	53,013,278	0	0	147,975,000	53,013,278	200,988,278
2026	146,125,000	46,408,656	0	0	146,125,000	46,408,656	192,533,656
2027	124,520,000	39,863,635	0	0	124,520,000	39,863,635	164,383,635
2028	103,020,000	34,342,624	0	0	103,020,000	34,342,624	137,362,624
2029	103,020,000	29,945,460	0	0	103,020,000	29,945,460	132,965,460
2030	94,915,000	25,534,031	0	0	94,915,000	25,534,031	120,449,031
2031	99,895,000	21,655,772	0	0	99,895,000	21,655,772	121,550,772
2032	93,260,000	17,639,048	0	0	93,260,000	17,639,048	110,899,048
2033	87,440,000	13,885,959	0	0	87,440,000	13,885,959	101,325,959
2034	84,975,000	10,435,905	0	0	84,975,000	10,435,905	95,410,905
2035	59,460,000	7,120,536	0	0	59,460,000	7,120,536	66,580,536
2036	59,460,000	4,576,618	0	0	59,460,000	4,576,618	64,036,618
2037	29,250,000	2,032,700	0	0	29,250,000	2,032,700	31,282,700
2038	16,750,000	773,850	0	0	16,750,000	773,850	17,523,850
Total	$2,489,110,000	$878,285,065	$23,052,323	$25,820,177	$2,512,162,323	$904,105,243	$3,416,267,565

Note: Columns may not add due to rounding.

1 Excludes the final debt service payment made on Certificates of Participation totaling $3,140,000 in principal and $95,243 in interest, which was made on July 1, 2017

STATE AUTHORITY REVENUE BONDS

A description of revenue bond programs of State authorities follows. Table 12 identifies the current level of indebtedness for these State authority bonds.

METROPOLITAN PIER AND EXPOSITION AUTHORITY—EXPANSION PROJECT BONDS

Metropolitan Pier and Exposition Authority ("MPEA") is authorized to issue McCormick Place Expansion Project Bonds. Public Act 100-23 increased the MPEA's bond authorization by $293 million, to $2.85 billion. These bonds are secured by locally imposed taxes including hotel/motel, restaurant, car rental and airport departure taxes and, to the extent such taxes are insufficient, are further secured by State sales tax revenues, subject to appropriation. Transfers of State sales tax revenues are subject to the prior claim for payments into the Build Illinois Fund. Public Act 96-898 provided additional financial support from the State for operations of MPEA in an amount up to $31.7 million annually until 2032. On December 6, 2017, MPEA issued bonds in the approximate principal amount of $473 million.

ILLINOIS SPORTS FACILITIES AUTHORITY

The Illinois Sports Facilities Authority ("ISFA") is authorized to finance sports facilities within the City of Chicago. Debt issued by ISFA is an obligation of ISFA and is not backed by the full faith and credit of the State. The ISFA has four issues of outstanding revenue bonds, totaling $414.4 million in principal amount, which 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 (30 ILCS 115/0.1 *et seq.*) and (ii) an advance of certain State hotel tax revenues which is required to be repaid annually by receipts derived from a 2.0% 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 otherwise payable 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.

RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY

In December 2010, the Railsplitter Tobacco Settlement Authority ("Railsplitter") issued revenue bonds in the amount of $1.5 billion. After funding Railsplitter's various business purposes, including the funding of a debt service reserve fund, the State received $1.35 billion in exchange for selling to Railsplitter its rights to substantially all of the payments under the Master Settlement Agreement ("MSA") between various states, including the State, and various cigarette manufacturers (the Original Participating Manufacturers or "OPM"). In December 2017, Railsplitter issued approximately $671 million in revenue bonds to refund a portion of the 2010 revenue bond issuance.

The MSA calls for the OPMs to make annual payments which are allocated among the various participating states. These funds had been used by the State primarily to fund Medicaid programs. Railsplitter purchased substantially all of the State's rights to the MSA payments but, by the terms of the purchase, may keep only the amount of funds required each year for debt service, costs of operations and enforcement of the MSA by the State Attorney General. Any excess amounts ("Excess MSA Payments") must be transferred to the State. The revenue bonds issued by Railsplitter are secured only by the MSA payments and the State is not obligated in any way to pay principal and interest on these bonds. Such payments are not subject to appropriation.

However, as a result of the Railsplitter bond financing, other revenues are being used to fund those portions of the Medicaid programs previously funded by the MSA payments now retained by Railsplitter. These revenues include amounts in the General Revenue Fund. In addition, Railsplitter has a priority claim on Illinois' share of the MSA payments. If those amounts should decline in future years, the State's share of any Excess MSA Payments will be correspondingly reduced.

TABLE 12
MATURITY SCHEDULE – STATE AUTHORITY REVENUE BONDS[1]
As of March 1, 2018

Fiscal Year	MPEA Expansion Project Principal	MPEA Expansion Project Interest[2]	Sports Facilities Authority Principal	Sports Facilities Authority Interest[1]	Railsplitter Tobacco Settlement Authority Principal	Railsplitter Tobacco Settlement Authority Interest	Total Authority Revenue Bonds Total Principal	Total Authority Revenue Bonds Total Interest	Total Authority Revenue Bonds Total Debt Service
2018	$ 9,912,532	$131,916,905	$ 6,918,577	$ 33,730,735	$ 89,040,000	$ 54,239,796	$ 105,871,110	$ 219,887,436	$ 325,758,546
2019	17,868,492	178,826,753	7,157,123	35,927,690	93,620,000	48,924,706	118,645,615	263,679,149	382,324,764
2020	21,690,604	189,341,028	7,587,434	38,091,378	98,565,000	44,209,588	127,843,039	271,641,994	399,485,033
2021	72,251,202	173,622,093	7,998,976	40,426,337	103,900,000	39,034,925	184,150,178	253,083,354	437,233,533
2022	47,719,997	212,154,381	8,400,360	42,943,453	109,655,000	33,548,250	165,775,357	288,646,083	454,421,440
2023	102,434,013	172,435,022	8,799,047	45,649,516	112,260,000	28,065,500	223,493,060	246,150,038	469,643,098
2024	39,951,513	234,925,174	9,185,634	48,542,929	109,745,000	22,452,500	158,882,147	305,920,603	464,802,750
2025	42,220,150	232,649,615	9,500,244	51,723,069	107,305,000	16,965,250	159,025,394	301,337,933	460,363,328
2026	61,079,129	214,927,058	15,537,481	49,373,582	105,370,000	11,600,000	181,986,610	275,900,640	457,887,250
2027	108,269,225	180,969,326	48,410,000	20,538,313	103,360,000	6,331,500	260,039,225	207,839,138	467,878,363
2028	127,972,687	176,228,000	37,791,552	35,316,261	23,270,000	1,163,500	189,034,239	212,707,761	401,742,000
2029	148,875,321	170,364,404	40,260,210	37,329,053	-	-	189,135,531	207,693,456	396,828,988
2030	10,081,635	325,161,090	50,655,825	26,280,413	-	-	60,737,459	351,441,503	412,178,963
2031	16,220,954	331,025,896	73,580,000	8,200,500	-	-	89,800,954	339,226,396	429,027,350
2032	12,650,997	334,583,856	82,620,000	4,337,550	-	-	95,270,997	338,921,406	434,192,403
2033	11,998,844	335,250,633	-	-	-	-	11,998,844	335,250,633	347,249,478
2034	11,432,732	335,804,371	-	-	-	-	11,432,732	335,804,371	347,237,103
2035	10,987,216	336,260,261	-	-	-	-	10,987,216	336,260,261	347,247,478
2036	9,070,302	338,169,633	-	-	-	-	9,070,302	338,169,633	347,239,935
2037	8,706,797	338,537,550	-	-	-	-	8,706,797	338,537,550	347,244,348
2038	8,408,151	338,832,354	-	-	-	-	8,408,151	338,832,354	347,240,505
2039	8,145,844	339,098,975	-	-	-	-	8,145,844	339,098,975	347,244,819
2040	7,974,547	339,266,633	-	-	-	-	7,974,547	339,266,633	347,241,180
2041	20,635,397	326,606,161	-	-	-	-	20,635,397	326,606,161	347,241,558
2042	232,416,135	114,825,988	-	-	-	-	232,416,135	114,825,988	347,242,124
2043	41,557,297	305,683,259	-	-	-	-	41,557,297	305,683,259	347,240,556
2044	39,434,758	307,805,982	-	-	-	-	39,434,758	307,805,982	347,240,740
2045	37,721,831	309,521,652	-	-	-	-	37,721,831	309,521,652	347,243,483
2046	36,133,031	311,107,195	-	-	-	-	36,133,031	311,107,195	347,240,226
2047	83,607,355	263,636,492	-	-	-	-	83,607,355	263,636,492	347,243,846
2048	280,733,248	66,509,823	-	-	-	-	280,733,248	66,509,823	347,243,071
2049	293,154,595	54,084,063	-	-	-	-	293,154,595	54,084,063	347,238,658
2050	268,716,264	78,519,767	-	-	-	-	268,716,264	78,519,767	347,236,030
2051	40,863,854	306,379,293	-	-	-	-	40,863,854	306,379,293	347,243,147
2052	173,573,118	173,667,496	-	-	-	-	173,573,118	173,667,496	347,240,615
2053	154,112,138	193,128,411	-	-	-	-	154,112,138	193,128,411	347,240,548
2054	68,697,913	278,545,595	-	-	-	-	68,697,913	278,545,595	347,243,507
2055	66,383,107	280,861,473	-	-	-	-	66,383,107	280,861,473	347,244,580
2056	69,562,467	277,678,237	-	-	-	-	69,562,467	277,678,237	347,240,703
2057	165,361,670	181,886,955	-	-	-	-	165,361,670	181,886,955	347,248,625
Total	$2,988,587,062	$9,790,798,851	$414,402,461	$518,410,776	$1,056,090,000	$306,535,515	$4,459,079,526	$10,615,745,142	$15,074,824,672

Note: Columns may not add due to rounding.
1 Includes all debt service paid or payable during fiscal year 2018.
2, Interest for MPEA Expansion Project Bonds and Sports Facilities Authority Bonds includes accreted principal amount on capital appreciation bonds.

MORAL OBLIGATION BONDS AND OTHER MORAL OBLIGATION COMMITMENTS

Currently, six entities in the State may issue moral obligation bonds. As of June 30, 2017, debt evidenced by moral obligation bonds is currently outstanding in the amount of $34.1 million. The moral obligation pledge generally provides that in the event the authority issuing moral obligation bonds determines that revenue available to such authority will be insufficient for the payment of principal and interest on such bonds during the next State fiscal period, such 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 must then submit the amounts so certified to the General Assembly. However, the recommendations of the Governor for State appropriations are a matter of executive discretion. Thus, although the Governor is required to submit the certified amounts to the General Assembly, 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.

From time to time, the State has received notices from certain entities which have issued moral obligation bonds that insufficient monies are available for the payment of principal and interest on one or more series of moral obligation bonds or that amounts withdrawn from bond reserve funds to pay principal and interest on moral obligation bonds have not been replenished.

The State does not have a legal obligation to pay any such amounts and cannot predict whether appropriations for such amounts will continue to be enacted. No assurance can be given that future requests for State appropriations 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.

College Illinois, the State's Prepaid Tuition Program, is operated by the Illinois Student Assistance Commission ("ISAC"). College Illinois is supported by a moral obligation commitment of the State. As of its June 30, 2017 valuation, College Illinois had an unfunded liability of $320 million. No additional prepaid tuition contracts were sold during Fiscal Year 2017 as program enrollment is currently on hold pending discussions with policy makers to help define and advance proposals that will address the College Illinois unfunded liability and strengthen the program. Should no additional prepaid tuition contracts be sold under the College Illinois program, actuaries estimate that the State will need to provide additional funds to College Illinois to support its obligations. These additional funds would need to be provided starting in 2025 and concluding in 2053 and, depending upon which actuarial assumptions are used, could total in excess of $542 million. For additional information, see ISAC's College Illinois website in APPENDIX F—WEBSITE INDEX. ISAC, in conjunction with the General Assembly and the Governor, are in discussions as to how to address the projected shortfall. No assurances as to what solution, the timing of the solution or the ultimate cost to the State, if any, can be made at this time.

AGRICULTURAL LOAN GUARANTEE PROGRAM

The Illinois Finance Authority (the "IFA") is authorized to issue up to $385 million in guarantees for loans by financial institutions to agriculture and agribusiness borrowers. The IFA currently maintains two reserve funds from which lump-sum payments may be made in the event of a default on any of these loans. As of June 30, 2017, the available balances in the reserve funds held by the IFA were $10.1 million and $7.9 million, respectively.

These reserve funds are backed by a continuing appropriation of the State's General Funds. As of June 30, 2017, the IFA loan programs secured $6.0 million in Illinois Agricultural Loans and $3.2 million in Illinois Farmer & Agribusiness Loans. In total, 85% of these two Loan Programs, or $7.8 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 this loan program.

PENSION AND OTHER POST EMPLOYMENT BENEFITS

Information relating to the State's funding for the retirement systems and other post-employment benefits, including the method of determining employer contributions, the actuarial methods and assumptions used by the retirement systems to calculate the actuarial value of assets and the actuarial accrued liability, actuarial assumptions, the net pension obligation of each retirement system, the history of contributions to the retirement systems, the funded status and projections of funded status, a discussion of the 2010 and 2017 legislation modifying the pension structure as well as a description of the post employment health, dental, vision and life insurance benefits for certain State retirees and the funding and annual cost of such benefits is described in APPENDIX E—PENSION AND OTHER POST EMPLOYMENT BENEFITS.

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 lawsuits.

BEEKS V. BRADLEY and ***MEMISOVSKI V. MARAM***

Beeks v. Bradley, 92-cv-4204 (N.D. Ill.), and *Memisovski v. Maram*, 92-cv-1982 (N.D. Ill.), are long-standing, consolidated consent decrees from 1993 and 2005, respectively, that require the State to continue furnishing Medicaid benefits during a budget impasse. In the context of the State's 2015-2017 budget impasse, the district court entered several orders directing payments to be made to Medicaid providers. Those orders eventually culminated in a June 30, 2017, order, in which the district court ordered the State to make payments of $586 million per month (50% of which consist of federal Medicaid matching funds) against vouchers submitted after that date by Medicaid service providers, plus a total of $2 billion over the course of Fiscal Year 2018 (July 1, 2017 through June 30, 2018) to pay down unpaid vouchers submitted for Medicaid services. As of January 31, 2018, the Comptroller's Office had paid all of the approximately $4.19 billion of vouchers awaiting payment as of June 30, 2017, plus additional amounts above the $586 million for Fiscal Year 2018 vouchers each month required under the June 30 Orders. Between July 1 and January 31, 2018, the Comptroller's Office paid more than $13.7 billion of vouchers for Medicaid-funded services. On January 24, 2018, the court entered an agreed order terminating the State's obligations under the June 30, 2017 order, except for a reporting requirement running through June 30, 2018.

Illinois (Dep't of Central Mgmt. Servs.) v. ILRB

On December 13, 2016, the Illinois Labor Board declared that the State and the American Federation of State, County and Municipal Employees, Council 31 (AFSCME), were at impasse in their negotiations for a 2015-19 collective bargaining agreement. AFSCME is the State's largest public sector union, representing approximately 35,000 State employees. On December 22, 2016, the Illinois First District Court of Appeals issued a temporary stay preventing the State from implementing its last, best, and final offer pending AFSCME's appeal from the Illinois Labor Board's impasse declaration. On January 31, 2017, the Illinois Supreme Court determined that the appeal should be heard in the Illinois Fourth District Court of Appeals and consolidated several proceedings in that court. On March 1, 2017, the Fourth District made the First District's December 22, 2016 stay order permanent pending review of the merits. Opening briefs in the Fourth District were filed October 10, 2017, responses were filed February 27, 2018, and replies are due on April 10, 2018. Pending resolution, the State continues to pay its employees pursuant to the status quo of the prior collective bargaining agreement.

N.B. v. Norwood

N.B. v. Norwood, 11-6866 (N.D. Ill.), filed in 2011 and amended in 2012, is a certified class action lawsuit alleging that the Illinois Department of Healthcare and Family Services (HFS) is not in compliance with the Early and Periodic Screening Diagnostic and Treatment requirement of the federal Medicaid statute for treatment of children's behavioral and mental health disorders. Additionally, the class alleges that HFS is violating the federal Americans with Disabilities Act and the Rehabilitation Act by failing to provide services for these children in most community-integrated settings.

In December 2013, the District Court denied HFS's Motion to Dismiss. In February 2014, the Court certified a class of "[a]ll Medicaid eligible children under the age of 21 in the State of Illinois: (1) who have been diagnosed with a mental health or behavioral disorder; and (2) for whom a licensed practitioner of the healing arts has recommended intensive home and community-based services to correct or ameliorate their disorders."

On August 18, 2015, HFS notified class counsel and the court that HFS would not agree to the proposed consent decree and presented an alternative State-wide plan for developing a Medicaid Behavioral Health Model. Class counsel asserted that there was a binding settlement agreement. Class counsel also indicated that, if HFS was not willing to settle, many plaintiffs may individually seek monetary damages against HFS under the Rehabilitation Act and will likely reinitiate the related Central District cases regarding damages. On November 19, 2015, the Magistrate Judge issued a recommendation to the District Court that the Class Counsel's motion to enforce the settlement agreement be denied. Class counsel has resumed sending HFS requests for services for individual class members which include references to monetary damages.

In early 2016, the parties resumed settlement discussions, which resulted in a proposed settlement agreement. On September 6, 2016, the district court preliminarily approved the proposed settlement. At the fairness hearing on December 20, 2016, the district court denied final approval. The parties then resumed settlement discussions, ultimately resulting in a consent decree that the district court preliminarily approved on October 27, 2017. The district court conducted a fairness hearing on December 19, 2017 and granted final approval to the consent decree on January 16, 2018. The consent decree requires HFS to develop, through an implementation plan, a behavioral health delivery model to provide a continuum of Medicaid-authorized mental and behavioral health services.

RASHO V. WALKER

Rasho v. Walker is a class-action lawsuit, filed in 2007, that challenges the constitutional adequacy of the mental health services provided statewide to offenders with a particular emphasis on those who are seriously mentally ill. The Department of Corrections ("DOC") currently has 11,374 offenders on the mental health caseload and 4,481 of those offenders are seriously mentally ill. In March 2012, Dr. Fred Cohen generated a report which identified various deficiencies in DOC's mental health services. Cohen surmised that DOC was deliberately indifferent to the needs of the seriously mentally ill population. As a result of that report, DOC began engaging settlement negotiations with the Plaintiffs, and ultimately agreed to be bound by an agreed order in anticipation of entering into a consent decree, requiring the DOC to change many of DOC practices including but not limited to filling mental health staffing vacancies, procuring inpatient care for the most seriously mentally ill offenders, and coming up with a comprehensive plan to improve the DOC mental health care system. The Agreed Order is essentially moot, as DOC ended consent decree negotiations. However, as part of the comprehensive plan previously agreed to by the then court-appointed monitor, and Plaintiffs, DOC established four levels of care: inpatient, residential, outpatient and crisis, and began making plans to provide care at each level, which included capital projects. Offenders in need of inpatient level of care need to be housed in a forensic hospital-like setting, the location is yet to be determined but discussions have centered on DHS' Elgin Mental Health Center. Offenders in need of residential treatment will be housed in residential treatment units ("RTUs") - to be located at Dixon, Logan, IYC Joliet and Pontiac. In addition to serving the residential treatment population, IYC Joliet will also serve the sub-acute and behavioral management populations. Establishment of these levels of care and housing units requires extensive hiring and construction planning which has already started at each of the four residential treatment facilities.

On May 13, 2016, the judge approved the parties' settlement agreement. Under the settlement agreement (not a consent decree), the parties agreed that the Court would retain jurisdiction for a three-year period after a budget is approved to allow DOC time to (1) fully develop the four levels of care, (2) complete necessary capital projects, (3) hire and train requisite staff and, ultimately, (4) revamp DOC's entire mental health system and allow plaintiffs to reopen litigation in the event of non-compliance with the terms of the agreement. The State continues to work on implementation of the *Rasho* settlement. In October 2017, plaintiffs filed a motion to enforce the settlement agreement, and DOC filed its response on November 7, 2017. The court held hearings on the motion to enforce in January and February 2018, and the parties await a ruling on the motion.

GRANT V. DIMAS

Grant v. Dimas, Case No. 2017-CH-12080, is a proposed class action in the Cook County Circuit Court by personal assistants employed by the Illinois Department of Human Services ("DHS") and the Service Employees International Union, Healthcare Illinois and Indiana ("SEIU"). The suit seeks a wage increase under P.A. 100-0023, which stated that the hourly wage paid to personal assistants and individual maintenance home health workers shall be increased by $0.48 per hour beginning August 5, 2017. The State filed a motion to dismiss on the basis that the rate of pay is required to be collectively bargained, and the court denied the motion. The State filed a motion to reconsider, and the plaintiffs filed a motion for summary judgment. The court ruled on both motions on March 13, 2018, denying the motion to reconsider and granting the motion for summary judgment. The court ordered the State to implement the $.48-cent wage increase for all personal assistants and individual maintenance home health workers for all hours worked beginning August 5, 2017 by March 21, 2018. The State is seeking a stay of the court's order and intends to appeal the ruling. The State estimates that the wage increase from August 5, 2017 through March 2018 totals approximately $10 million.

RATINGS

Moody's has assigned a rating of "Baa3" (Negative Outlook) to the Bonds, S&P has assigned a rating of "BBB-" (Stable Outlook) to the Bonds and Fitch has assigned a rating of "BBB" (Negative Outlook) to the Bonds. See "CERTAIN INVESTMENT CONSIDERATIONS—Investment Considerations Relating to the Financial Condition of the State—Ratings".

These ratings reflect the view of such organizations, and an explanation of the significance of such ratings may be obtained only from the respective rating agency. As part of the State's application for the ratings, certain information and materials, some of which are not contained in this Official Statement, 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 Undertakings as defined below under the heading "CONTINUING DISCLOSURE," the State undertakes no responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal. If assigned, there is no assurance that any such ratings will be maintained for any given period of time or that they will not be lowered or withdrawn entirely. Any revision or withdrawal of any such ratings could have a material adverse effect on the availability of a market for the Bonds or the prices at which the Bonds may be resold.

PURCHASE

The Purchasers set forth on the cover of this Official Statement (together, the "Purchasers") have agreed, subject to the approval of certain legal matters by counsel and to certain other conditions, to purchase (i) the Series 2018A Bonds at a price of $463,852,260, representing the par amount of the Series 2018A Bonds plus a net original issue premium of $15,463,260, less the Purchasers' discount of $1,611,000 and (ii) the Series 2018B Bonds at a price of $51,560,700, representing the par amount of the Series 2018B Bonds plus an original issue premium of $1,768,300, less the Purchasers' discount of $207,600. The Purchasers have agreed to purchase all of the Bonds if any of the Bonds are purchased. The Purchasers have agreed to make a bona fide public offering of the Bonds at not in excess of the public offering prices set forth on the inside front cover page of this Official Statement.

TAX MATTERS

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

Subject to the State's compliance with the above-referenced covenants, under present law, in the separate opinions of Co-Bond Counsel to be delivered upon the issuance of the Bonds, interest on the Bonds, is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering their opinions, Co-Bond Counsel will rely upon certifications of the State with respect to certain material facts within the State's knowledge. Co-Bond Counsels' opinions represent their legal judgment based upon their review of the law and the facts that they deem relevant to render such opinions and are not guarantees of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Bonds. The AMT for corporations is repealed for taxable years beginning after December 31, 2017.

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

The issue price for original issue discount (as further discussed below) and market discount purposes (the "OID Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public (excluding bond houses and brokers and similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The OID Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

If the OID Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the OID Issue Price of each such maturity, if any, of the Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the OID Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the State complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the OID Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its OID Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Persons purchasing the Bonds should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Co-Bond Counsel express no opinion regarding any pending or proposed federal tax legislation.

The Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the State as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Co-Bond Counsel express no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

CONTINUING DISCLOSURE

The State will enter into a Continuing Disclosure Undertaking (the “Undertaking”) for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the MSRB pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the SEC under the Securities Exchange Act of 1934, as amended. The proposed form of the Undertaking is included as APPENDIX D to this Official Statement.

In the previous five years, there have been certain failures by the State in connection with its continuing disclosure filings.

- For Fiscal Years 2013 and 2014, the annual financial information for certain series of the State’s debt obligations omitted tables titled “Revenues and Cash Expenditures-General Revenue Fund,” “Cash Expenditures by Category and Function-General Revenue Fund,” “General Obligation Bonds,” “Cash Expenditures by Category–Road Fund,” “General Funds Appropriations” and “Illinois School Enrollment.” Failure to File Annual Financial Information notices were filed on EMMA in December, 2015, noting the correction.
- The State failed to submit a timely event notice describing a June 6, 2013 downgrade by Moody’s for CUSIP numbers relating to those series of Build Illinois Bonds rated by

Moody's. The notice of this rating change by Moody's was filed on EMMA on October 14, 2014.

There have also been numerous rating actions reported by the rating agencies affecting the municipal bond insurance companies, some of which had insured obligations previously issued by the State. In some instances, event notices were not timely filed in respect of these ratings changes.

The State has filed its "Annual Financial Information" within the time periods prescribed in its various continuing disclosure undertakings. During the last five years, the State's Comprehensive Annual Financial Report ("Audited Financial Statements") has not been available when the Annual Financial Information has been filed, but has been filed within 30 days after its availability to GOMB.

A failure by the State to comply with the Undertaking will not constitute a default under the Bond Sale Order, adopted by the Governor and the Director authorizing the issuance of the Bonds (the "Bond Sale Order"), and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. A failure by the State to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinions of Co-Bond Counsel, i.e., Chapman and Cutler LLP, Chicago, Illinois ("Chapman"), and Pugh, Jones & Johnson, P.C., each of which act as Co-Bond Counsel to the State in connection with the issuance of the Bonds. Co-Bond Counsel make no representation as to the suitability of the Bonds for investment by any investor. The opinions of Co-Bond Counsel will accompany the delivery of the Bonds and be in substantially the form included in this Official Statement as APPENDIX B. Chapman has also been retained by the State to serve as Disclosure Counsel to the State with respect to the Bonds. Although as Disclosure Counsel to the State, Chapman has assisted the State with certain disclosure matters, Chapman has not undertaken to independently verify the accuracy, completeness or fairness of this Official Statement or other offering material related to the Bonds and does not guarantee the accuracy, completeness or fairness of such information. Chapman's engagement as Disclosure Counsel was undertaken solely at the request and for the benefit of the State, to assist it in discharging its responsibility with respect to this Official Statement, and not for the benefit of any other person (including the Purchasers and any person purchasing Bonds from the Purchasers), and did not include any obligation to establish or confirm factual matters, forecasts, projections, estimates or any other financial or economic information in connection therewith. The fees of Co-Bond Counsel and Disclosure Counsel for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds.

AUDITED FINANCIAL STATEMENTS

The State Auditor General has performed an audit of the basic financial statements that accompany each CAFR in accordance with generally accepted auditing standards in the United States of America and Government Auditing Standards issued by the Comptroller General of the United

States. His unqualified opinion appears at the beginning of the financial section of each CAFR. The State Auditor General has not been requested to update the information contained in the financial statements in the Fiscal Year 2017 CAFR which has been filed with EMMA and is referred to in "STATE FINANCIAL INFORMATION."

A portion of the TBFR not included in this Official Statement was audited by an independent accounting firm in accordance with accounting practices prescribed or permitted by the State of Illinois State Comptroller Act. Tables 3 and 4, which appear under "STATE FINANCIAL INFORMATION," Table A-4, which appears in APPENDIX A—CERTAIN INFORMATION REGARDING THE STATE OF ILLINOIS, and Table G-1, which appears in APPENDIX G—ACCOUNTING PRACTICES USED IN STATE FINANCIAL INFORMATION, are not part of the financial statements in the TBFR that were the subject of such audit.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC is serving as Municipal Advisor to the State in connection with the issuance of the Bonds. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Under the terms of its engagement, the Municipal Advisor is not obligated to undertake, and has not undertaken, an independent verification of, nor has it assumed responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement. The fee of the Municipal Advisor for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

ADDITIONAL INFORMATION

The information contained in this Official Statement is subject to change without notice and no implication may or shall be derived therefrom or from the sale of the Bonds that there has been no change in the affairs of the State or the information contained in this Official Statement 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 to be construed as a contract or agreement between the State and the purchaser of any of the Bonds.

MISCELLANEOUS

The State has authorized the distribution of this Official Statement.

This Official Statement has been duly executed and delivered by the Director of GOMB on behalf of the State.

STATE OF ILLINOIS

By: /s/ Hans Zigmund

Director, Governor's Office of Management and Budget

APPENDIX A

CERTAIN INFORMATION REGARDING THE STATE OF ILLINOIS

PART I: MEASURES OF DEBT BURDEN

Tables A-1 through A-3 show various measures of the relative burden of the State's general obligation debt and debt service.

TABLE A-1
RATIO OF GENERAL OBLIGATION DEBT SERVICE
TO TOTAL GENERAL AND ROAD FUND APPROPRIATIONS
FISCAL YEARS 2013-2017
June 30 Fiscal Year End

Fiscal Year	Total Appropriations[1] ($ In Millions)	Capital Improvement Bonds Debt Service % of Appropriations[2]	Pension Bonds Debt Service % of Appropriations
2013	$36,872	3.82%	4.23%
2014	38,351	3.91%	4.26%
2015	37,987	4.60%	4.73%
2016[3]	34,304	4.96%	3.95%
2017[3]	38,915	4.37%	4.23%

Source: Illinois Office of the Comptroller and the Governor's Office of Management and Budget.

1 Appropriations include the Road Fund and the General Funds. The General Funds consist of the General Revenue Fund, the Education Assistance Fund, the Common School Fund, the Fund for Advancement of Education, the Commitment to Human Services Fund and the Budget Stabilization Fund. The latter three funds were added to the definition of General Funds beginning in FY 2018 pursuant to ILCS 20/50-40. Appropriations in this table have been restated to include all of the funds currently included in the definition of General Funds.

2 Does not include annual amounts paid to the trustee for the Initial Interest Requirement for the Series October 2003B Bonds.

3 FY2016 and FY2017 Total Appropriations include enacted Road Fund appropriations and General Funds (reflecting the new definition of General Funds) enacted appropriations, continuing appropriations and spending authority established pursuant to court orders or consent decrees from the General Funds.

TABLE A-2
RATIO OF GENERAL OBLIGATION DEBT OUTSTANDING TO ILLINOIS PERSONAL INCOME
FISCAL YEARS 2013-2017[1]
June 30 Fiscal Year End

Fiscal Year	Illinois Personal Income ($ In Billions)	Capital Improvement and Refunding Bonds % of Personal Income	Pension Bonds[2] % of Personal Income
2013	595.1	2.05%	2.47%
2014	613.3	2.46%	2.25%
2015	641.0	2.21%	1.98%
2016	660.3	2.16%	1.82%
2017	669.6	2.05%	1.64%

Source: Bureau of Economic Analysis and Governor's Office of Management and Budget.

1 Current data as of October 6, 2017.

2 Includes 2003, 2010, and 2011 pension funding bonds.

TABLE A-3
GENERAL OBLIGATION DEBT PER CAPITA – ILLINOIS
FISCAL YEARS 2013-2017
June 30 Fiscal Year End

	FY2013	FY2014	FY2015	FY2016	FY2017
Population (in Thousands)[1]	12,878	12,875	12,856	12,822	12,784
Capital Improvement and Refunding Bonds	$946	$1,172	$1,100	$1,111	$1,073
Pension Bonds[2]	$1,140	$1,071	$988	$936	$859

Source: Bureau of Economic Analysis, U.S. Census Bureau and Governor's Office of Management and Budget.

1 Current data as of October 6, 2017.

2 Includes 2003, 2010, and 2011 pension funding bonds.

PART II: HISTORICAL STATE RECEIPTS, APPROPRIATIONS AND DISBURSEMENTS

TABLE A-4
10 YEAR HISTORY OF RECEIPTS, APPROPRIATIONS AND WARRANTS
($ in millions)
June 30 Fiscal Year End

Fund Group	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
CASH RECEIPTS										
General Funds	$30,047	$29,883	$26,424	$29,548	$31,886	$34,332	$34,580	$32,872	$28,752	$27,831
Highway Funds	4,015	4,157	4,480	4,403	4,256	4,094	4,225	4,538	4,410	4,452
Special State Funds	15,628	15,137	19,570	22,145	16,961	19,334	21,574	24,701	23,157	24,233
Bond Financed Funds..........................	181	152	3,489	1,191	2,145	2,038	4,227	0	1,084	1,133
Debt Service Funds(1).........................	118	117	1,840	572	2,595	734	835	798	835	2,304
Federal Trust Funds............................	3,964	4,483	4,949	5,095	5,274	4,970	5,148	4,856	4,846	4,825
Revolving Funds	563	475	525	545	627	539	618	534	335	617
State Trust Funds................................	3,658	3,360	3,598	4,106	4,335	4,535	4,593	2,614	1,741	1,951
TOTAL, CASH RECEIPTS	$58,174	$57,764	$64,875	$67,605	$68,079	$70,576	$75,800	$70,913	$65,160	$67,346
APPROPRIATIONS										
General Funds	$27,538	$30,280	$27,198	$26,079	$29,584	$30,848	$32,146	$31,799	$28,536	$31,783
Highway Funds	7,225	9,644	9,219	8,826	8,888	8,284	8,387	8,093	8,070	7,954
Special State Funds	18,984	19,416	22,566	24,488	23,925	28,679	31,649	33,710	33,550	39,982
Bond Financed Funds..........................	2,102	3,765	18,750	17,420	15,372	13,948	11,387	9,882	4,346	4,955
Debt Service Funds(1).........................	4,528	3,514	5,942	4,617	5,371	3,545	3,600	4,285	3,536	5,237
Federal Trust Funds............................	5,966	8,158	10,377	10,429	9,479	8,026	8,160	8,058	8,288	8,752
Revolving Funds	812	802	895	896	946	981	953	905	927	1,468
State Trust Funds................................	616	620	743	737	750	857	931	638	604	625
TOTAL, APPROPRIATIONS	$67,771	$76,199	$95,690	$93,492	$94,315	$95,168	$97,213	$97,370	$87,857	$100,756
WARRANTS ISSUED										
General Funds	$27,158	$29,774	$26,301	$25,447	$29,209	$30,293	$31,479	$30,763	$26,750	$29,421
Highway Funds	3,622	3,943	4,003	3,686	3,836	3,598	3,626	3,728	4,039	3,748
Special State Funds	15,908	15,576	16,785	17,474	17,808	21,079	22,512	25,285	22,356	28,298
Bond Financed Funds..........................	286	161	1,328	1,969	2,134	2,655	2,394	2,226	777	1,352
Debt Service Funds(1).........................	4,452	3,432	5,875	4,596	5,187	3,330	3,589	4,050	3,536	5,212
Federal Trust Funds............................	3,981	4,278	5,254	5,258	5,090	4,969	5,061	4,781	4,906	4,787
Revolving Funds	667	642	677	655	685	716	704	681	546	733
State Trust Funds................................	3,329	3,224	4,207	4,331	3,924	4,173	4,298	2,257	1,248	1,184
TOTAL, WARRANTS ISSUED............	59,403	61,030	64,430	63,416	67,873	70,813	73,663	73,771	64,158	74,735

Source: Illinois Office of the Comptroller, Traditional Budgetary Financial Report, Fiscal Year 2017; unaudited.

(1) Includes the General Obligation Bond Retirement and Interest Fund.

TABLE A-5
CASH RECEIPTS AND DISBURSEMENT – GENERAL FUNDS[1]
FISCAL YEARS 2013-2017
($ in millions)
June 30 Fiscal Year End

	FY2013	FY2014	FY2015	FY2016	FY2017
Available Balance, Beginning	**$ 40**	**$ 154**	**$ 74**	**$ 621**	**$ 246**
Cash Receipts					
State Revenues					
Income Tax	$19,715	$19,806	$18,119	$14,862	$14,065
Sales Tax	7,355	7,676	8,030	8,063	8,043
Public Utility Tax	1,033	1,013	1,006	926	884
Cigarette Tax	353	353	353	353	353
Inheritance Tax	293	276	333	306	261
Liquor Gallonage Tax	165	165	167	170	171
Insurance Tax & Fees	334	333	353	398	391
Corporate Franchise Tax	205	203	211	207	207
Investment Income	20	20	24	24	36
Intergovernmental Transfers	244	244	244	244	244
Other	504	624	735	574	725
Total, State Revenues	$30,221	$30,713	$29,576	$26,127	$25,380
Federal Revenues					
Medicaid & Social Services	$ 4,154	$ 3,903	$ 3,331	$ 2,665	$ 2,483
Transfers In					
From Other State Funds[2]	$ 1,953	$ 2,152	$ 2,981	$ 1,581	$ 1,542
Total Revenues	**$36,328**	**$36,768**	**$35,888**	**$30,373**	**$29,405**
Interfund Borrowing	$ 0	$ 0	$ 454[3]	$ 0	$ 0
Total Cash Receipts	**$36,328**	**$36,768**	**$36,342**	**$30,373**	**$29,405**
Cash Disbursements					
Expenditures for Appropriations					
Operations	$ 9,889	$ 9,721	$10,643	$ 7,040	$ 7,767
Awards and Grants	20,881	21,079	20,998	19,878	20,915
Permanent Improvements	9	6	7	5	6
Refunds	6	5	0	0	0
Vouchers Payable Adjustment	(117)	1,129	(459)	(888)	(4,057)
Prior Year Adjustments	(21)	(60)	(12)	(12)	(3)
Transfers Out					
Debt Service Funds[4]	2,103	2,258	2,094	1,979	2,235
Other State Funds[2]	3,464	2,710	2,522	2,746	1,711
Total Cash Disbursements	**$36,214**	**$36,848**	**$35,794**	**$30,748**	**$28,573**
Cash Balance, Ending	**$ 154**	**$ 74**	**$ 621**	**$ 246**	**$ 1,077**

Source: Based on information from the Illinois Office of the Comptroller. May not add due to rounding.

1 General Funds include the General Revenue Fund, Common School Fund, General Revenue-Common School Special Account Fund and the Education Assistance Fund.

2 Excludes transfers to and from the Budget Stabilization Fund.

3 Pursuant to Public Act 099-0523, the $454 million of interfund borrowing in Fiscal Year 2015 is not required to be repaid. However, the State repaid $15 million during Fiscal Year 2017.

4 Reflects GO Bond debt service including debt service on 2003, 2010, and 2011 pension funding bonds.

TABLE A-6
CASH RECEIPTS AND DISBURSEMENTS – ROAD FUND
FISCAL YEARS 2013-2017
($ in millions)
June 30 Fiscal Year End

	FY2013	FY2014	FY2015	FY2016	FY2017
Available Balance, Beginning	$ 789	$ 825	$915	$916	$1,134
Cash Receipts					
State Revenues					
Motor Vehicle & License Fees	742	769	783	779	803
Certificates of Title	79	81	86	87	86
Property Sales (City & County)	66	91	142	125	91
Miscellaneous	43	62	74	76	143
Total, State Revenues	$ 930	$1,003	$1,085	$1,068	$1,123
Federal Revenues	1,485	1,503	1,721	1,537	1,558
Transfers In					
Motor Fuel Fund	290	296	289	307	303
Other Funds	0	0	0	0	0
Total Cash Receipts	$2,705	$2,803	$3,095	$2,913	$2,984
Cash Disbursements					
Expenditures for Appropriations	2,289	2,332	2,478	2,332	2,576
Transfers Out					
Debt Service Funds[1]	359	359	347	334	305
Other State Funds[2]	21	23	271	30	23
Total Cash Disbursements	$2,670	$2,713	$3,096	$2,695	$2,904
Prior Year Adjustments	(1)	(1)	(3)	0	(1)
Cash Balance, Ending	$ 825	$ 915	$916	$1,134	$1,213

Source: Illinois Office of the Comptroller. May not add due to rounding.

1 Reflects debt service on GO Bonds.

2 Fiscal Year 2015 includes Fund Reallocation transfers to the General Revenue Fund in the amount of $250 million.

Part III: Economic Data

Illinois is a state of diversified economic strength. Based on data from the U.S. Department of Commerce Bureau of Economic Analysis, the Illinois economy is the 5th largest in the United States and, based on information from the International Monetary Fund and the World Bank, the Illinois economy is the 19th largest in the world. Measured by per capita personal income, Illinois ranks third among the ten most populous states and fifteenth among all states. 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-7 shows Illinois has a historically higher per capita GDP than the Great Lakes Region and the United States. Table A-8 shows the distribution of Illinois non-agricultural employment by industry sector.

TABLE A-7
PER CAPITA REAL GDP (CHAINED 2009 DOLLARS)
CALENDAR YEARS 2012-2016

	2012	2013	2014	2015	2016
United States	$48,173	$48,538	$49,339	$50,323	$50,708
Illinois	52,172	51,963	52,966	53,729	54,404
Great Lakes Region	45,767	46,077	47,021	47,745	48,431

Source: Bureau of Economic Analysis, current data as of April 12, 2018.

TABLE A-8
NON-AGRICULTURAL PAYROLL JOBS BY INDUSTRY
CALENDAR YEAR 2017
(Thousands)

Industry Employment Sector	Illinois	% of Total	U.S.	% of Total
Financial Activities	391	6.5%	8,455	5.8%
Manufacturing	577	9.5%	12,444	8.5%
Trade, Transportation and Utilities	1,213	20.0%	27,494	18.8%
Leisure and Hospitality	610	10.1%	16,052	10.9%
Education and Health Services	924	15.2%	23,186	15.8%
Mining, Logging, Information and Other Services	357	5.9%	9,249	6.3%
Government	831	13.7%	22,322	15.2%
Professional and Business Services	940	15.5%	20,467	14.0%
Construction	220	3.6%	6,955	4.7%
Total	**6,063**	**100.0%**	**146,624**	**100.0%**

Source: Bureau of Labor Statistics, March 13, 2018. Both State and National data are not seasonally adjusted. Job totals are for 2017.

Illinois ranks prominently among states for agricultural activity and exports. Table A-9 summarizes key agricultural production statistics including rank among all states in 2017.

TABLE A-9
AGRICULTURAL EXPORTS
CALENDAR YEAR 2016
($ in Millions)

Agricultural Exports	U.S. Total	Illinois Share	% of U.S.	Rank
All Commodities	$134,714	$8,345	6.2%	3
Soybeans	22,820	3,204	14.0%	1
Corn	9,891	1,558	15.8%	2
Feeds	8,818	1,177	13.3%	2
Grain Products	3,774	425	11.3%	2

Source: U.S. Department of Agriculture, Economic Research Service. Updated on February 23, 2018, data as of December 13, 2016.

Per capita income in Illinois is greater than the average in both the United States and the Great Lakes Region. Table A-10 presents per capita income comparisons, and Table A-11 shows unemployment rate comparisons for the United States, Illinois and its metropolitan areas.

TABLE A-10
PER CAPITA PERSONAL INCOME
CALENDAR YEARS 2012-2017

	2012	2013	2014	2015	2016	2017	2017 Rank
Illinois	45,627	46,607	48,809	50,745	51,679	52,808	**15**
United States	44,283	44,489	46,486	48,429	49,204	50,392	--
Ten Most Populous States:							
New York	53,689	54,388	56,111	58,324	59,289	60,991	1
California	48,359	48,555	51,317	54,664	56,308	58,272	2
Illinois	45,627	46,607	48,809	50,745	51,679	52,808	**3**
Pennsylvania	45,884	46,132	47,978	49,815	50,730	52,096	4
Texas	43,166	43,390	45,861	46,787	46,204	46,942	5
Florida	41,006	40,791	43,045	45,388	45,855	46,858	6
Ohio	40,282	40,694	42,200	43,803	44,561	45,615	7
Michigan	38,702	39,213	40,835	43,072	44,231	45,255	8
North Carolina	38,564	37,782	39,531	41,351	42,203	43,303	9
Georgia	36,876	37,183	39,142	41,020	42,146	43,270	10
Great Lakes States:							
Illinois	45,627	46,607	48,809	50,745	51,679	52,808	**1**
Wisconsin	42,575	42,774	44,351	46,025	46,809	47,850	2
Ohio	40,282	40,694	42,200	43,803	44,561	45,615	3
Michigan	38,702	39,213	40,835	43,072	44,231	45,255	4
Indiana	38,829	39,158	40,482	41,862	43,091	44,165	5

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Current data as of March 22, 2018.

TABLE A-11
UNEMPLOYMENT RATE (%)
CALENDAR YEARS 2013-2017

	2013	2014	2015	2016	2017
United States	7.4	6.2	5.3	4.9	4.4
Illinois	9.0	7.1	6.0	5.8	5.0
Bloomington-Normal MSA	6.8	5.5	4.8	5.2	4.2
Carbondale-Marion MSA	8.5	6.7	5.8	5.8	4.9
Champaign-Urbana MSA	7.5	6.0	5.1	5.1	4.5
Chicago-Naperville-Elgin MSA	9.1	7.1	5.9	5.8	4.8
Danville MSA	10.6	8.4	7.0	7.2	6.6
Davenport-Moline-Rock Island MSA	7.0	6.2	5.6	5.5	4.6
Decatur MSA	11.4	8.5	6.9	6.6	5.7
Kankakee MSA	10.4	7.9	6.7	6.5	5.6
Peoria MSA	9.0	7.0	6.3	6.5	5.6
Rockford MSA	10.5	8.1	6.9	6.6	6.6
Springfield MSA	7.4	5.8	5.1	4.9	4.3

Source: U.S. Department of Labor, Bureau of Labor Statistics, August 25, 2017.
Regional and State data are not seasonally adjusted, National data are seasonally adjusted.

Illinois is the nation’s sixth most populous state.

TABLE A-12
POPULATION
ILLINOIS AND SELECTED METROPOLITAN STATISTICAL AREAS
BY CENSUS YEARS

	1990	2000	2010
Illinois	11,430,602	12,419,293	12,830,632
Chicago CMSA (IL Part)	7,410,858	8,272,768	8,586,609
St. Louis MSA (IL Part)	588,995	599,845	633,042
Rockford MSA	283,719	320,204	349,431
Peoria MSA	358,552	366,899	379,186
Springfield MSA	189,550	201,437	210,170
Champaign-Urbana MSA	202,848	210,275	231,891

Source: U.S. Bureau of the Census, Population Division, as of September 22, 2017

TABLE A-13
ILLINOIS POPULATION BY AGE GROUP
BY CALENDAR YEAR

	2016	% of Total Population
Under 18 years	2,926,109	22.9%
18 to 24 years	1,214,511	9.5%
25 to 44 years	3,420,788	26.7%
45 to 64 years	3,368,867	26.3%
65 years and over	1,871,264	14.6%
Total	12,801,539	100%

Source: U.S. Bureau of the Census, as of July 24, 2017

In 2017, 36 companies on the Fortune 500 list had headquarters located in Illinois. Illinois is among the top four states for number of businesses on the Fortune 500 list: New York: 54; California: 53; Texas: 50; and Illinois: 36. The State's reauthorization of the EDGE (Economic Development for a Growing Economy) program, which provides tax incentives to encourage companies to locate or expand operations in the State over competing states, will improve the State's ability to compete for major economic development projects.

TABLE A-14
ILLINOIS-BASED COMPANIES INCLUDED IN THE FORTUNE 500

Rank 2017	Rank 2016	Company	Revenues (millions USD)	Assets (millions USD)	Profits (millions USD)	Industry Category	Location	No. of Employees
17	19	Walgreens Boots Alliance	$117,351	$72,688	$4,173	Food and Drug Stores	Deerfield	300,000
24	24	Boeing	94,571	89,997	4,895	Aerospace & Defense	Chicago	150,540
33	35	State Farm Insurance Cos.	76,132	256,030	350	Insurance: Property and Casualty (Mutual)	Bloomington	68,234
45	41	Archer Daniels Midland	62,346	39,769	1,279	Food Production	Chicago	31,800
74	59	Caterpillar	38,537	74,704	(67)	Construction and Farm Machinery	Peoria	95,400
83	80	United Continental Holdings	36,556	40,140	2,263	Airlines	Chicago	88,000
84	81	Allstate	36,534	108,610	1,877	Insurance: Property and Casualty (Stock)	Northbrook	43,275
89	95	Exelon	31,360	114,904	1,134	Utilities: Gas and Electric	Chicago	34,396
105	97	Deere	26,644	57,981	1,524	Construction and Farm Machinery	Moline	56,767
109	94	Mondelez International	25,923	61,538	1,659	Food Consumer Products	Deerfield	90,000
111	123	AbbVie	25,638	66,099	5,953	Health Care	North Chicago	30,000
112	109	McDonald's	24,622	31,024	46,869	Food Services	Oak Brook	375,000
124	122	US Foods	22,919	8,945	210	Wholesalers: Food and Grocery	Rosemont	25,000
127	111	Sears Holdings	22,138	9,362	(2,221)	General Merchandisers	Hoffman Estates	140,000
135	138	Abbott Laboratories	20,853	52,666	1,400	Medical Products and Equipment	Abbott Park	75,000
197	176	Conagra Brands	14,134	13,391	(677)	Food Consumer Products	Chicago	20,900
199	220	CDW	13,982	6,948	424	Information Technology Services	Lincolnshire	8,516
202	211	Illinois Tool Works	13,599	15,201	2,035	Industrial Machinery	Glenview	50,000
277	283	Discover Financial Services	10,497	92,308	2,393	Commercial Banks	Riverwoods	15,549
281	286	Baxter International	10,163	15,546	4,965	Medical Products and Equipment	Deerfield	48,000
282	285	W.W. Grainger	10,137	5,694	606	Wholesalers: Diversified	Lake Forest	25,000
304	369	LKQ	9,082	8,303	464	Wholesalers: Diversified	Chicago	42,500
322	334	Tenneco	8,599	4,342	363	Motor Vehicles & Parts	Lake Forest	31,000
337	281	Navistar International	8,111	5,653	(97)	Construction and Farm Machinery	Lisle	11,300
338	315	Univar	8,074	5,390	(68)	Wholesalers: Diversified	Downers Grove	8,700
359	391	Anixter International	7,625	4,094	121	Wholesalers: Electronics and Office Equipment	Glenview	8,900
388	255	R.R. Donnelly & Sons	6,896	4,285	(496)	Publishing, Printing	Chicago	44,360
391	436	Jones Lang LaSalle	6,804	7,629	318	Real Estate	Chicago	77,300
392	377	Dover	6,794	10,116	509	Industrial Machinery	Downers Grove	29,000
427	-	TreeHouse Foods	6,175	6,546	(229)	Food Consumer Products	Oak Brook	16,027
433	451	Motorola Solutions	6,038	8,463	560	Network and Other Communications Equipment	Chicago	14,000
439	442	Old Republic International	5,901	18,592	467	Insurance: Property and Casualty (Stock)	Chicago	8,500
450	446	Packaging Corp. of America	5,779	5,777	450	Packaging, Containers	Lake Forest	14,000
456	456	Ingredion	5,704	5,782	485	Food Production	Westchester	11,000
462	471	Arthur J. Gallagher	5,595	11,490	414	Diversified Financials	Itasca	24,790
487	477	Essendant	5,369	2,164	64	Wholesalers: Electronics and Office Equipment	Deerfield	6,600

Source: Fortune Magazine.

PART IV: TAX REVIEW

The State of Illinois levies taxes or fees on several categories of goods, services and revenues. A complete discussion of the history of such taxes and revenues generated can be found in *The Illinois Tax Handbook for Legislators, 33rd Edition February 2017* published by the Legislative Research Unit. (See APPENDIX F—WEBSITE INDEX.) The discussion below is from the Handbook, updated to summarize changes pursuant to Public Act 100-22.

The State's revenues are derived from several categories of taxes and fees. Historically, individual income taxes, sales taxes and corporate income taxes provide approximately 89% of total State revenues (not including revenues from the federal government and transfers from other State funds). Motor fuel taxes and vehicle registration fees support GO Bonds issued for Road Fund purposes under Section 4(a) of the Bond Act or bonds issued under the authorization of Public Act 98-781 (or GO Bonds issued to refund such GO Bonds).

Individual Income Taxes

The Individual Income Tax ("IIT") is imposed on the taxable income of individuals, trusts and estates. Originally enacted in 1969, the IIT rate has been adjusted a number of times. Prior to the enactment of Public Act 100-22, the applicable IIT rate was 3.75% from January 1, 2015 through June 30, 2017. Public Act 100-22 permanently increased the rate to 4.95% for the taxable period beginning July 1, 2017. There is a lengthy list of exemptions that apply to the IIT. The change in the IIT tax rate in Public Act 100-22 is estimated to generate $3.9 billion of additional revenue annually.

Net of funds currently being diverted to the Tax Refund Fund (see *"Note 1–Income Tax Refund Fund"* below), IIT is currently distributed as follows:

- 6.06% goes to the Local Government Distributive Fund beginning August 1, 2017 (reduced by 10% for Fiscal Year 2018 only pursuant to Public Act 100-23).
- 7.3% goes to the Education Assistance Fund.
- 3.3% goes to the Fund for the Advancement of Education.
- 3.3% goes to the Commitment to Human Services Fund.
- 5% of collections from audits goes to the Tax Compliance and Administration Fund.
- The remainder goes to the General Revenue Fund.

Corporate Income Tax

The Corporate Income Tax ("CIT") is imposed on the taxable income of corporations, associations, joint-stock companies and cooperatives. Corporations are also subject to a supplemental income tax for local governments referred to as the Personal Property Tax Replacement Tax (see Note 2 PPRT discussion below). Originally enacted in 1969, the CIT rate has been changed a number of times. Prior to the enactment of Public Act 100-22, the applicable CIT rate was 5.25%. Public Act 100-22 permanently increased the rate to 7.00% for the period beginning July 1, 2017. As with the IIT, various exemptions and deductions apply to the CIT. The change in the CIT tax rate in Public Act 100-22 is estimated to generate $460 million of additional revenue annually.

Net of the amounts currently diverted to the Income Tax Refund Fund (see discussion under *"Note 1–Income Tax Refund Fund"* below), the CIT is distributed as follows:

- 6.85% to the Local Government Distributive Fund beginning August 1, 2017 (reduced by 10% for Fiscal Year 2018 only pursuant to Public Act 100-23).
- 7.3% goes to the Education Assistance Fund.
- 5% of collections from audits goes to the Tax Compliance and Administration Fund.
- The remainder goes to the General Revenue Fund.

A small portion of the corporate income tax that is imposed on certain estates and trusts is directed to the Fund for the Advancement of Education and the Commitment to Human Services Fund.

Sales Tax

The Sales Tax ("ST") is made up of two matching pairs of taxes, the Retailers' Occupation Tax and Use Tax and the Service Occupation Tax and Service Use Tax.

The Retailer's Occupation Tax is imposed on gross receipts of retailers from sales of tangible personal property in Illinois. The Use Tax is imposed on persons who use tangible personal property in Illinois. The Service Occupation Tax and Service Use Tax are similar to the Retailers' Occupation and Use Taxes but apply to tangible property received incidental to buying a service. If out-of-state sellers have offices or other facilities in Illinois, the Illinois Department of Revenue can require them to collect these taxes on their sales in Illinois. The collection of these taxes is administered by the Department of Revenue (35 ILCS 105/1 ff (use tax); 120/1 ff (retailers occupation tax); 110/1 ff (service use tax); and 115/1 ff (service occupation tax).

Taxes on sales are currently at a rate of 6.25% of the purchase price of applicable goods. The State keeps the part equal to 5% of the purchase price, and pays the remaining 1.25% to local governments. The State Share of Sales Tax, is distributed as follows:

- 5.55% to the Build Illinois Fund primarily for Build Illinois bond debt service.
- A portion pursuant to statutory formula of the State Share of Sales Tax is deposited into the Public Transportation Fund from sales in the counties of Cook, DuPage, Kane, Lake, McHenry and Will, reduced by 10% for Fiscal Year 2018 only (pursuant to Public Act 100-23).
- 3/32 of the State Share of Sales Tax collected in certain downstate counties to the Downstate Public Transportation Fund, reduced by 10% for Fiscal Year 2018 only (pursuant to Public Act 100-23).
- Less than 1% goes to Other State Funds.
- The remainder to the General Funds.

Motor Fuel Taxes

The Motor Fuel Taxes ("MFT") are imposed on gasoline ($0.19/gallon) and special fuels including diesel fuel ($0.215/gallon). Additional amounts are levied for underground storage tanks and other environmental impact fees; these additional levies are deposited into the Underground Storage Tank Fund. On an annual basis, $30 million of Motor Fuel Tax revenues are deposited into the Vehicle Inspection Fund for use by the Illinois Environmental Protection Agency. MFT are distributed as follows:

- $0.025/gallon on special fuels to the State Construction Account Fund.

- $47 million for Grade Crossing Protection Fund and the State Boating Act Fund.
- Sufficient amounts for administrative costs of the Illinois Department of Revenue and the Illinois Department of Transportation.
- Of the remainder:
    - 45.6% to the State Construction Account Fund (37%) and the State Road Fund (63%).
    - 54.4% to municipalities by population (49.10%), Cook County (16.74%), Other Counties (18.27%) and townships/road districts (15.89%).

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 51 percent of these fees are paid into the Road Fund, 31 percent to the State Construction Account Fund, 14 percent to the Capital Projects Fund, and the rest to other funds of the State. Motor vehicle registration fees are $101 annually, with large truck and trailer registration fees range going as high as $3,191 for an 80,000 pound truck.

Note 1: Income Tax Refund Fund

The Income Tax Refund Fund is funded by a portion of both the CIT (17.25% of gross CIT receipts for Fiscal Year 2017; 17.5% of gross CIT receipts for Fiscal Year 2018) and IIT (11.2% of gross IIT receipts for Fiscal Year 2017; 9.8% of gross IIT receipts for Fiscal Year 2018) to fund tax refunds due to tax filers. The rates are adjusted by formula, which formula can and has frequently been changed by the General Assembly. Priority of payment has been to pay IIT refunds first, followed by CIT refunds. If funds are left over in the Income Tax Refund Fund, they are returned to the General Revenue Fund. This resulted in $1.4 million being returned to the General Revenue Fund in Fiscal Year 2018. If insufficient funds are available in the Income Tax Refund Fund, CIT refunds are held until sufficient funds become available, which may be in a subsequent fiscal year. The Income Tax Refund Fund had a balance of $405.7 million as of March 1, 2018. As of March 1, 2018, there were no unpaid CIT or IIT refunds. Part of the Income Tax Refund Fund is also used to "true up" payments due to local governments under the Personal Property Replacement Tax ("PPRT"). Should insufficient funds be available in the Income Tax Refund Fund to pay these "true up" payments, they must be paid, by statute, from deposits into the Income Tax Refund Fund in the first quarter of the subsequent fiscal year.

Note 2: Personal Property Replacement Taxes

The Illinois Constitution of 1970 abolished all ad valorem personal property taxes. In 1979, the General Assembly replaced these taxes on businesses with the PPRT that is earmarked to local governments to replace the ad valorem tax. The tax for corporations is 2.5% of federal taxable income. The tax for partnerships, trusts and "S" corporations is 1.5% of federal taxable income. The PPRT is distributed to local governments based on their relative share of the personal property tax collections in 1976 (Cook County) and 1977 (other 101 counties).

Local governments in Cook County receive 51.65% of the PPRT, with the balance of 48.35% to the local governments in the other 101 counties.

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APPENDIX B

FORM OF APPROVING OPINIONS OF CO-BOND COUNSEL

[LETTERHEAD OF RESPECTIVE CO-BOND COUNSEL]

[TO BE DATED CLOSING DATE]

We hereby certify that we have examined a certified copy of the proceedings (the *"Proceedings"*) of the Governor of the State of Illinois (the *"State"*) and the Director of the Governor's Office of Management and Budget of the State authorizing the issue by the State of its fully registered $500,000,000 General Obligation Bonds, Series of May 2018, dated the date hereof, in two separate series: Series of May 2018A (the *"Series of May 2018A Bonds"*) in the principal amount of $450,000,000 and Series of May 2018B in the principal amount of $50,000,000 (the *"Series of May 2018B Bonds"* and, together with the Series of May 2018A Bonds, the *"Bonds"*), dated the date hereof. The Bonds mature on May 1 of each of the years, in the amounts and bear interest as follows:

SERIES OF MAY 2018A

YEAR OF MATURITY	PRINCIPAL AMOUNT	RATE OF INTEREST	YEAR OF MATURITY	PRINCIPAL AMOUNT	RATE OF INTEREST
2019	$18,000,000	5.000%	2032	$18,000,000	5.000%
2020	18,000,000	5.000%	2033	18,000,000	5.000%
2021	18,000,000	5.000%	2034	18,000,000	5.000%
2022	18,000,000	5.250%	2035	18,000,000	5.000%
2023	18,000,000	5.250%	2036	18,000,000	5.000%
2024	18,000,000	4.000%	2037	18,000,000	4.625%
2025	18,000,000	6.000%	2038	18,000,000	5.000%
2026	18,000,000	6.000%	2039	18,000,000	5.000%
2027	18,000,000	6.000%	2040	18,000,000	5.000%
2028	18,000,000	6.000%	2041	18,000,000	5.000%
2029	18,000,000	5.000%	2042	18,000,000	5.000%
2030	18,000,000	5.000%	2043	18,000,000	5.000%
2031	18,000,000	5.000%			

SERIES OF MAY 2018B

YEAR OF MATURITY	PRINCIPAL AMOUNT	RATE OF INTEREST	YEAR OF MATURITY	PRINCIPAL AMOUNT	RATE OF INTEREST
2019	$5,000,000	5.000%	2024	$5,000,000	5.000%
2020	5,000,000	5.000%	2025	5,000,000	5.000%
2021	5,000,000	5.000%	2026	5,000,000	5.000%
2022	5,000,000	5.000%	2027	5,000,000	5.000%
2023	5,000,000	5.000%	2028	5,000,000	5.000%

The Series of May 2018A Bonds due on or after May 1, 2029, are subject to redemption prior to maturity at the option of the State in whole, or in part in integral multiples of $5,000, from such maturities as may be selected by the State (less than all of the Series of May 2018A Bonds of a single maturity to be selected by the Bond Registrar), on May 1, 2028, or on any date thereafter, at the redemption price of par plus accrued interest to the redemption date.

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

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

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

In rendering this opinion, we have relied upon certifications of the State with respect to certain material facts within the State's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

APPENDIX C

GLOBAL BOOK-ENTRY SYSTEM

The Bonds will be available only in book-entry form. DTC will act as the initial securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered bond certificates will be issued for each series of the Bonds of each maturity, in the aggregate principal amount thereof, and will be deposited with DTC.

The State, the Bond Registrar and the Purchasers cannot and do not give any assurances that DTC, direct participants or indirect participants of DTC, will distribute to the beneficial owners of the Bonds (1) payments of principal of or interest or redemption premium on the Bonds, (2) confirmations of their ownership interests in the Bonds or (3) other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC, direct participants or indirect participants of DTC, will serve and act in the manner described in this Official Statement.

Neither the State nor the Bond Registrar will have any responsibility or obligations to DTC, direct participants or the indirect participants of DTC, or the beneficial owners with respect to (1) the accuracy of any records maintained by DTC or any direct participants or indirect participants of DTC; (2) the payment by DTC or any direct participants or indirect participants of DTC of any amount due to any beneficial owner in respect of the principal amount of or interest or redemption premium on the Bonds; (3) the delivery by DTC or any direct participants or indirect participants of DTC of any notice to any beneficial owner that is required or permitted to be given to owners under the terms of the Bond Sale Order; (4) the selection of the beneficial owners to receive payment in the event of any partial redemption of the Bonds; or (5) any consent given or other action taken by DTC as Owner of the Bonds.

Portions of the information below concerning DTC, and DTC's book-entry system are based on information furnished by DTC to the State. No representation is made herein by the State, the bond registrar, or the Purchasers as to the accuracy, completeness or adequacy of such information, or as to the absence of material adverse, changes in such information subsequent to the date of this official statement.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the 1934 Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct

Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but neither of the State nor the Bond Registrar takes any responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (B)(5) OF RULE 15C2-12

This Continuing Disclosure Undertaking (this *"Agreement"*) is executed and delivered by the State of Illinois (the *"State"*), in connection with the issuance of $450,000,000 General Obligation Bonds, Series of May 2018A (the *"May 2018A Bonds"*) and $50,000,000 General Obligation Bonds, Series of May 2018B (the *"May 2018B Bonds"* and, together with the May 2018A Bonds, the *"Bonds"*). The Bonds are being issued pursuant to a Bond Sale Order approved by the Governor and the Director of the Governor's Office of Management and Budget of the State, dated April 9, 2018, as supplemented by separate Sale Confirmation Certificates for the May 2018A Bonds and the May 2018B Bonds, each dated April 25, 2018 confirming the terms of sale of the respective series of the Bonds (collectively, the *"Bond Order"*).

In consideration of the issuance of the Bonds by the State and the purchase of such Bonds by the beneficial owners thereof, the State covenants and agrees as follows:

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the State as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The State represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

Annual Financial Information means the financial information and operating data described in *Exhibit I*.

Annual Financial Information Disclosure means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

Audited Financial Statements means the Comprehensive Annual Financial Report of the State (*"CAFR"*) as described in *Exhibit I*.

Commission means the Securities and Exchange Commission.

Dissemination Agent means any agent designated as such in writing by the State and which has filed with the State a written acceptance of such designation, and such agent's successors and assigns.

EMMA means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

Exchange Act means the Securities Exchange Act of 1934, as amended.

MSRB means the Municipal Securities Rulemaking Board.

Official Statement means the Final Official Statement, dated April 25, 2018, and relating to the Bonds.

Participating Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

Reportable Event means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II*.

Reportable Events Disclosure means dissemination of a notice of a Reportable Event as set forth in Section 5.

Rule means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

Undertaking means the obligations of the State pursuant to Sections 4 and 5.

3. CUSIP NUMBERS. The CUSIP Numbers of the Bonds are set forth in *Exhibit III*. The State will include the CUSIP Numbers in all disclosure materials described in Sections 4 and 5 of this Agreement.

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Agreement, the State hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the State will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the State hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. References to "material" in *Exhibit II* refer to materiality as it is interpreted under the Exchange Act. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Bond Order.

6. CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION. The State shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the State to comply with any provision of this Agreement, 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 this Agreement. A default under this Agreement shall not be deemed a default under the Bond Order, and the sole remedy under this Agreement in the event of any failure of the State to comply with this Agreement shall be an action to compel performance.

7. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the State by resolution authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation, pursuant to a "no-action" letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the State, or type of business conducted; or

(ii) This Agreement, 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

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the State (such as Co-Bond Counsel).

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the State shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

8. TERMINATION OF UNDERTAKING. The Undertaking of the State shall be terminated hereunder if the State shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Order. The State shall give notice to EMMA in a timely manner if this Section is applicable.

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

10. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Reportable Event, in addition to that which is required by this Agreement. If the State chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically

required by this Agreement, the State shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

11. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the State, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

12. RECORDKEEPING. The State shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. ASSIGNMENT. The State shall not transfer its obligations under the Bond Order unless the transferee agrees to assume all obligations of the State under this Agreement or to execute an Undertaking under the Rule.

14. GOVERNING LAW. This Agreement shall be governed by the laws of the State.

STATE OF ILLINOIS

Signed By:______________________________
Director, Governor's Office of
Management and Budget
Name: Hans Zigmund
Address: 100 W. Randolph, 15-100
Chicago, Illinois 60601

Date: May 9, 2018

EXHIBIT I
ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

Annual Financial Information: financial information and operating data including information of the type contained in the Official Statement as follows (i) in Tables 1 and 2 under the heading "SECURITY," (ii) in Tables 3, 4, 6 and 7 under the heading "STATE FINANCIAL INFORMATION", (iii) in Table A-1 in APPENDIX A—CERTAIN INFORMATION REGARDING THE STATE OF ILLINOIS, (iv) in Tables E-5, E-6 and E-18 in APPENDIX E—PENSION AND OTHER POST EMPLOYMENT BENEFITS, and (v) in Tables G-1 and G-2 in APPENDIX G—ACCOUNTING PRACTICES USED IN STATE FINANCIAL INFORMATION.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA; the Final Official Statement need not be available from the Commission. The State shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be submitted to EMMA by 330 days after the last day of the State's fiscal year (currently June 30).

Audited Financial Statements are created and published by the Office of the Illinois Comptroller in the form of the State's Comprehensive Annual Financial Report (*"CAFR"*). Once available to the Governor's Office of Management and Budget, the CAFR will be submitted to EMMA within 30 days. The CAFR will be prepared in conformity with generally accepted accounting principles applicable to state governments as prescribed by the Governmental Accounting Standards Board.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the State will disseminate a notice of such change as required by Section 4.

EXHIBIT II
EVENTS WITH RESPECT TO THE BONDS
FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the State*
13. The consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

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* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State.

EXHIBIT III
CUSIP NUMBERS

MAY 2018A BONDS

YEAR OF MATURITY	CUSIP NUMBER (452152)
2019	V81
2020	V99
2021	W23
2022	W31
2023	W49
2024	W56
2025	W64
2026	W72
2027	W80
2028	W98
2029	X22
2030	X30
2031	X48
2032	X55
2033	X63
2034	X71
2035	X89
2036	X97
2037	Y21
2038	Y39
2039	Y47
2040	Y54
2041	Y62
2042	Y70
2043	Y88

MAY 2018B BONDS

YEAR OF MATURITY	CUSIP NUMBER (452152)
2019	Y96
2020	Z20
2021	Z38
2022	Z46
2023	Z53
2024	Z61
2025	Z79
2026	Z87
2027	Z95
2028	2A8

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APPENDIX E

PENSION AND OTHER POST EMPLOYMENT BENEFITS

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APPENDIX E

PENSION AND OTHER POST EMPLOYMENT BENEFITS

GENERAL

The State provides funding for the Retirement Systems, which provide benefits upon retirement, death or disability to employees and beneficiaries. The Retirement Systems are, in order from largest to smallest membership: (i) the Teachers' Retirement System of the State of Illinois ("TRS"); (ii) the State Universities Retirement System of Illinois ("SURS"); (iii) the State Employees' Retirement System of Illinois ("SERS"); (iv) the Judges Retirement System of Illinois ("JRS"); and (v) the General Assembly Retirement System, State of Illinois ("GARS") (each a "Retirement System" and collectively, the "Retirement Systems").

To fund the benefits to be paid by a defined-benefit pension plan, both employees and employers make contributions to the plan's assets. Generally, employees contribute a fixed percentage of their annual salary, and employers contribute the additional amounts necessary, when combined with the projected investment earnings on plan assets, to pay the benefits under and the expenses of the pension plan. The necessary employer contributions to the Retirement Systems are calculated and recommended annually by an independent actuary based on State law requirements and certified by the Board of each Retirement System. See "—DETERMINATION OF EMPLOYER CONTRIBUTIONS." Information regarding the benefits provided by each Retirement System is available at the website for such system. See APPENDIX F—"WEBSITE INDEX."

For SERS, the State provides the majority of employer contributions for State employees combined with contributions from trust, federal and certain state grant funds. For GARS and JRS, the State provides the sole employer contribution to the Retirement Systems. For TRS, the State's contributions are combined with contributions from federal funds and the individual school districts (which employ the majority of TRS members), special districts and State agencies employing TRS members. For SURS, State contributions, combined with trust and federal funds and contributions from employers for employees paid from certain State grants and non-State funds, serve as the employer contribution. Public Act 100-0023 ("Public Act 100-23"), which became effective July 6, 2017, provides that TRS and SURS employers will contribute additional amounts to such Retirement Systems in the future. See "—2017 LEGISLATION MODIFYING PENSION STRUCTURE" herein.

Section 5 of Article XIII of the Illinois Constitution provides that "[m]embership in any pension or retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired" (the "Pension Protection Clause"). The benefits available under the Retirement Systems accrue throughout the time a member is employed by an employer participating in one of the Retirement Systems. Although the benefits accrue during employment, certain age and service requirements must be achieved for retirement annuities, survivor annuities or death benefits to be paid to the employee or the employee's survivors and beneficiaries, if any, respectively.

State contributions to the Retirement Systems are made following appropriation by the General Assembly. The Board of each Retirement System is required, on or before November 1 of each year, to submit a proposed certification to the State Actuary of the amount necessary to pay the Required Annual Statutory Contribution (as defined below) for inclusion in the Governor's budget for the following fiscal year. On or before November 1 of each year, the Retirement Systems are required to prepare preliminary actuarial valuation reports. By January 1 of each year, the State Actuary is required to issue a report on such preliminary actuarial valuation reports, providing a review of the actuarial assumptions used in the proposed certification by the Retirement Systems and recommend any changes for consideration. See "—

RECENT REPORTS REGARDING THE RETIREMENT SYSTEMS—*State Actuary's Fiscal Year 2017 Report.*" The Board of each Retirement System must consider all recommendations of the State Actuary prior to providing a final certification to the State of the Required Annual Statutory Contribution on or before January 15 of each year, beginning January 15, 2013. This Official Statement reflects the most current, final reports of the Retirement Systems and Auditor General. Final audits of the Retirement Systems may be found at the Auditor General's website. The final Actuarial Valuations (as defined herein) for Fiscal Year 2017 may be found at each Retirement System's website. See APPENDIX F—WEBSITE INDEX.

In the event that the General Assembly fails to appropriate the amount certified by the Retirement Systems, the Pension Code (40 ILCS 5/ *et seq*.) and the State Pension Funds Continuing Appropriation Act (40 ILCS 15/ *et seq.*) require payments to be made by the Comptroller and the Treasurer to the Retirement Systems in amounts sufficient to meet the requirements of the Statutory Funding Plan (as defined herein). See "—DETERMINATION OF EMPLOYER CONTRIBUTIONS—*The Actuarial Valuation*" below. Despite the continuing appropriation, the possibility still exists that the Retirement Systems will not receive the required contribution when due because there could be insufficient funds available in the State's General Funds. If such funds are not available, the State could fail to meet its payment obligation or be forced to make such payment from another source.

The Retirement Systems submit monthly payment requests to the Comptroller, but the Comptroller is not required to make monthly payments upon receipt of the requests. During Fiscal Year 2017, some delays in the monthly payments occurred. The annual payments for Fiscal Year 2017 were paid in full by the end of the Fiscal Year 2017 lapse period. Delays also occurred in making monthly payments during Fiscal Year 2018. The State expects that any delayed payments for Fiscal Year 2018 will be made by the end of the Fiscal Year 2018 lapse period. If the full amount of Required Annual Statutory Contributions (as defined herein) is not paid in a timely manner, the Retirement Systems may be required to sell more assets than planned to pay benefits as they become due. Asset sales would reduce the amount of assets invested by the Retirement Systems and, as such, reduce the amount of investment income earned by the Retirement Systems in the future. For a description of the instances in which the Retirement Systems have been funded at less than the Actuarially Required Contribution (as defined herein) level, and the effect of a sale of the Retirement Systems' assets to pay benefits, see "—HISTORY OF CONTRIBUTIONS TO THE RETIREMENT SYSTEMS."

SOURCE INFORMATION

With regard to the following, except "Excluded Information" defined below, the information contained in this APPENDIX E relies on materials produced by the Retirement Systems, their independent accountants and their independent actuaries (the "Source Information"). The information in this APPENDIX E is presented on the basis of the Source Information. The State has not independently verified the Source Information and makes no representations nor expresses any opinion as to the accuracy of the Source Information. "Excluded Information" means information contained under the following sub-captions below: "—2010 LEGISLATION MODIFYING PENSION STRUCTURE," "—2013 LEGISLATION MODIFYING PENSION STRUCTURE," "—2017 LEGISLATION MODIFYING PENSION STRUCTURE," "—RECENT REPORTS REGARDING THE RETIREMENT SYSTEMS," "—SEC ORDER," and "—PENSION DISCLOSURE POLICIES AND PROCEDURES."

Furthermore, where tables in this disclosure present aggregate information regarding the Retirement Systems, specifically in Tables E-5 through E-15, such combined information results solely from the arithmetic calculation of numbers compiled from the Source Information.

The State is obligated to make contributions to the Retirement Systems as set forth in the Pension Code. See "—DETERMINATION OF EMPLOYER CONTRIBUTION" herein. In addition, the Retirement Systems' members make contributions to the Retirement Systems from their salaries. For more information on the amount of contributions made by the State and Retirement System members in each of Fiscal Years 2013 through 2017, see Tables E-6 through E-10.

The Actuarial Valuations of the Retirement Systems and the comprehensive annual financial reports (each a "CAFR") for the fiscal year ending June 30, 2017 are available on the respective websites of the Retirement Systems, provided, however, that the contents of such websites are not incorporated herein by such reference.

BACKGROUND INFORMATION REGARDING THE RETIREMENT SYSTEMS

As described above, the State provides funding for the five Retirement Systems. The following is a description of each Retirement System. Membership information and member contribution information for each Retirement System is presented at the end of this section in Table E-1.

The Teachers' Retirement System, TRS, is a cost-sharing, multiple-employer, public employee defined-benefit pension plan that provides coverage to teachers employed by public school districts in the State (excluding teachers employed by Chicago Public Schools). TRS is governed by a 13-member Board of Trustees, consisting of the State Superintendent of Education, six trustees appointed by the Governor with the advice and consent of the Senate, four trustees elected by contributing TRS members, and two trustees elected by TRS annuitants. One appointed trustee position is currently vacant. All trustees except for the State Superintendent of Education serve four-year staggered terms.

Although most of TRS's covered employees are not employees of the State, approximately 95% of the employer funding for TRS is paid by the State. TRS receives contributions from 850 local school districts, 125 special districts and 14 other State agencies. To date, the contributions made by individual school districts, special districts and State agencies have been minimal. However, Public Act 100-23 requires certain additional contributions by such school districts. See "—2017 LEGISLATION MODIFYING PENSION STRUCTURE" herein.

The State Universities Retirement System, SURS, is a cost-sharing, multiple-employer, public employee defined-benefit pension plan. SURS provides coverage to faculty and staff of State universities, community colleges and related agencies. SURS is governed by an 11-member Board of Trustees, consisting of the Chairperson of the Illinois Board of Higher Education, four trustees appointed by the Governor with the advice and consent of the Senate, four trustees elected by contributing SURS members and two trustees elected by SURS annuitants. All trustees except for the Chairperson of the Illinois Board of Higher Education serve six-year staggered terms.

SURS draws contributions from employees of nine universities, 39 community college districts and 13 other affiliated agencies. Public Act 100-23 will require the universities, community colleges and other affiliated agencies participating in SURS to contribute to SURS. See "—2017 LEGISLATION MODIFYING PENSION STRUCTURE" herein.

SURS also provides a public employee defined contribution plan, termed the "Self-Managed Plan." In a defined contribution plan, the employee and the employer contribute specified amounts to the pension plan. These contributions, plus the investment earnings on the money in each employee's account, represent the employee's benefits under the plan. As opposed to defined-benefit plans which provide a predetermined level of benefits to the employee, the benefit in a defined contribution plan is not predetermined. The benefit is based on the individual account balance (consisting of contributions and investment returns thereon) available at retirement or termination. Members contribute 8.0% of their gross earnings and the State contributes 7.6% of payroll to provide employer contributions (of this amount, 1.0% is used to fund disability benefits).

The State Employees' Retirement System, SERS, is a single-employer, public employee defined-benefit pension plan. SERS provides benefits for most State employees not eligible for another State-sponsored retirement plan, as well as for certain employees appointed by the Governor and requiring confirmation by the Senate that elect to become members of SERS. SERS is governed by a 13-member Board of Trustees, consisting of the Comptroller, six trustees appointed by the Governor with the advice and consent of the Senate, four trustees elected by the SERS members, and two trustees elected by the SERS retirees. One appointed trustee position is currently vacant. All trustees except for the Comptroller serve five-year staggered terms.

Certain members of SERS are eligible for federal Social Security benefits. As of June 30, 2017, of active employees, 58,492 are coordinated with Social Security. All other active employees are not coordinated with Social Security.

The Judges' Retirement System, JRS, is a single-employer, public employee defined-benefit pension plan that covers judges, associate judges and, under certain conditions, the administrative director of the State courts. Participation by judges is mandatory unless a judge makes an election not to participate within 30 days of receipt of notice of the option not to participate. JRS is governed by a five-person Board of Trustees, consisting of the Treasurer, the Chief Justice of the Supreme Court, and three participating judges who are appointed by the Supreme Court. The three participating judges serve three-year terms.

The General Assembly Retirement System, GARS, is a single-employer, public employee defined-benefit pension plan that covers members of the General Assembly, State Constitutional Officers and, under certain circumstances, the Clerk and Assistant Clerk of the House and the Secretary and Assistant Secretary of the Senate. GARS is governed by a seven-member Board of Trustees, consisting of the President of the Senate (or his designee), two members of the Senate appointed by the President of the Senate; three members of the House of Representatives appointed by the Speaker of the House; and one person elected from the member annuitants under rules prescribed by the Board of Trustees. All appointed trustees serve two-year terms while the elected trustee serves a four-year term.

With the exception of certain SERS members, as discussed above, and a small number of SURS members, members of the Retirement Systems do not participate in Social Security through their employment with an employer participating in a Retirement System.

As of June 30, 2017, the membership in each of the Retirement Systems and the required membership contributions as a percentage of member salary were as follows:

TABLE E-1 MEMBERSHIP AND MEMBER CONTRIBUTIONS

Retirement System	Active Members	Inactive/ Entitled to Benefits	Retirees and Beneficiaries	Total	Member Contribution[1]
TRS	159,585	136,855	117,990	414,430	9.0%
SURS	64,117	81,316	64,545	209,978	8.0% - 9.5%[2]
SURS/SMP [3]	11,852	9,503	533	21,888	8.0%
SERS	60,612	4,022	71,805	136,439	4.0% - 12.5%[4]
JRS	953	11	1,175	2,139	8.5% or 11%[5]
GARS	135	58	421	614	9.5% or 11.5%[6]
Total	297,254	231,765	256,469	785,488	

Source: Actuarial Valuations of the Retirement Systems as of June 30, 2017, except that information regarding SERS, JRS and GARS are based on the respective CAFRs of such Retirement Systems.

(1) Represents the percentage of salary a member is required to contribute annually to the respective Retirement System under the Pension Code. Certain school districts provide for member contributions on behalf of their employees.

(2) Most members contribute a total of 8.0% of pensionable pay. Police officers and firefighters contribute a total of 9.5% of pensionable pay.

(3) The SURS/SMP refers to the SURS Self Managed Plan.

(4) Members covered by Social Security contribute 4% of their salary if ineligible for an alternative benefits formula and 8.5% of salary if eligible for such a formula. Members not covered by Social Security contribute 8% of their salary if ineligible for an alternative benefits formula and 12.5% of salary if eligible for such a formula.

(5) Members contribute 7.5% to the retirement annuity, 1.0% for automatic annual increases and 2.5% for the survivor's annuity.

(6) Members contribute 11.5% of their salaries, consisting of a retirement annuity (8.5%), an automatic annuity increase (1.0%) and a survivor's annuity (2.0%). Certain members may elect not to participate in the survivor's annuity and therefore contribute 9.5% of salary

State law regulates the Retirement Systems' investments. The respective Boards of Trustees of TRS and SURS manage the investments of such Retirement Systems. The Illinois State Board of Investment manages the investments of SERS, JRS and GARS. Additional information on each Retirement System's investments and investment management may be found on such Retirement System's website provided in APPENDIX F—"WEBSITE INDEX."

DETERMINATION OF EMPLOYER CONTRIBUTIONS

Actuaries and the Actuarial Process

Under the Pension Code, the required employer contributions to the Retirement Systems are calculated and recommended by independent actuaries on an annual basis. Each Retirement System's actuary produces a report, certified by the board of such Retirement System, called the "Actuarial Valuation," in which the actuary reports in part on the Retirement System's assets, liabilities, and Required Annual Statutory Contribution for the following fiscal year. The Actuarial Valuation also includes financial reporting information prepared pursuant to applicable GASB pronouncements.

The Pension Code requires each Retirement System to produce a preliminary Actuarial Valuation within four months of the end of such Retirement System's fiscal year and a final Actuarial Valuation within approximately six months of the end of the Retirement System's fiscal year. Each Retirement System hires an actuary independent of the State to prepare its Actuarial Valuation. The Actuarial Valuations are publicly available and may be obtained from the respective Retirement Systems. See "—SOURCE INFORMATION."

The Required Annual Statutory Contribution is computed in accordance with the Pension Code and, more specifically, the Statutory Funding Plan, as hereinafter defined. The Statutory Funding Plan did not conform to the financial reporting standards promulgated by the Governmental Accounting Standards Board ("GASB") previously in effect (such standards to be hereinafter described and defined as the Prior GASB Standards). The Prior GASB Standards required calculation of an "Actuarially Required

Contribution"[1] which, as a result of the Statutory Funding Plan, differed from the Required Annual Statutory Contribution. The differences between the requirements of the Prior GASB Standards and the State's statutory requirements are discussed in "—DETERMINATION OF EMPLOYER CONTRIBUTION–*Statutory Funding Plan Not in Accordance with GASB Standards.*"

The Actuarial Valuation

The primary purpose of the Actuarial Valuation is to determine the amount the State must contribute to each Retirement System in a given fiscal year to satisfy its current and future obligations to pay benefits to eligible members of the Retirement Systems as provided in the Pension Code (the "Required Annual Statutory Contribution"). Each Actuarial Valuation must be accompanied by a statement from an actuarial firm that, to the best of its knowledge, the Actuarial Valuation is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and with applicable statutes.

To determine the Required Annual Statutory Contribution, the actuary calculates both the "Actuarial Accrued Liability" and the "Actuarial Value of Assets." To calculate the Actuarial Accrued Liability, the actuary uses a variety of demographic data about the Retirement System's membership (such as employee age, salary and service credits), the benefit provisions of the Retirement System, and various assumptions (such as estimated salary increases, interest rates, employee turnover, retirement, mortality and disability rates) to estimate future benefit payments, which are then discounted using an assumed investment rate of return to determine the present value of future benefits (the "PV of Future Benefits"). The PV of Future Benefits is an estimate of the value of the benefits to all members as of the date of the Actuarial Valuation, and includes benefits not yet earned, but assumed to be earned, by members of the Retirement System. Beginning in Fiscal Year 2018, any changes in the State's contributions to the Retirement Systems caused by a change in actuarial assumptions will be recognized in contributions over a five-year period. See "—ACTUARIAL ASSUMPTIONS" below. Using an actuarial cost method, the actuary allocates the PV of Future Benefits to past, current and future service for each member of the Retirement System. The portion of the PV of Future Benefits allocated to past service is referred to as the Actuarial Accrued Liability and the portion of the PV of Future Benefits allocated to current service is referred to as the "Normal Cost." The Actuarial Value of Assets reflects the value of the investments and other assets held by the Retirement System. Various methods exist for calculating the Actuarial Value of Assets. For a discussion of these methods and assumptions used to calculate the Actuarial Accrued Liability and the Actuarial Value of Assets of the Retirement Systems, see "—ACTUARIAL METHODS" and "—ACTUARIAL ASSUMPTIONS" below.

Any shortfall between the Actuarial Value of Assets and the Actuarial Accrued Liability is referred to as the "Unfunded Actuarial Accrued Liability" or "UAAL." The UAAL represents the portion of the Actuarial Accrued Liability that is not matched by current plan assets. In addition, the actuary will compute the "Funded Ratio," which is the result obtained by dividing the Actuarial Value of Assets by the Actuarial Accrued Liability. The Funded Ratio and the UAAL are used to measure the financial health of a pension plan. An increasing UAAL or a decreasing Funded Ratio from year to year may signal a deterioration in the financial health of a pension plan because it indicates the incurrence of additional liability without a corresponding increase in assets necessary to pay those additional liabilities. Conversely, a decreasing UAAL or an increasing Funded Ratio may indicate an improvement in the financial health of a pension plan because such a change reflects a closing gap between the liabilities

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1 The Prior GASB Standards refers to this concept as the Annual Required Contribution. In this Official Statement, this concept is referred to as the Actuarially Required Contribution and differs from the State's statutorily defined concept of the Required Annual Statutory Contribution. The Actuarially Required Contribution, under the Prior GASB Standards is the amount required to pay the employer's normal cost plus the cost to amortize the plan's UAAL over a period of no more than 30 years. The method of determining the State's Required Annual Statutory Contribution is put forth in the applicable statutes of the Illinois Pension Code (40 ILCS 5/) for each State Retirement System.

accrued by the pension plan and the assets necessary to pay those liabilities when they become due. A 100% Funded Ratio means existing actuarial assets are sufficient to pay the present value of projected benefits earned as of the valuation date.

The actuaries use the Actuarial Accrued Liability, the Actuarial Value of Assets and the UAAL to compute the Required Annual Statutory Contribution for each Retirement System in accordance with the Pension Code. The Pension Code sets forth the manner of calculating the Required Annual Statutory Contribution under the Statutory Funding Plan. The Statutory Funding Plan requires the State to contribute annually an amount equal to a level percent of payroll necessary to allow each Retirement System to achieve a 90% Funded Ratio by Fiscal Year 2045, subject to any revisions necessitated by actuarial gains or losses, or actuarial assumptions.

In addition, beginning with the fiscal year ended June 30, 2014, the Actuarial Valuation includes the financial reporting information required by the New GASB Standards, as defined and described in the succeeding section hereof.

GASB Financial Reporting Standards

GASB promulgates standards for financial reporting with respect to financial statements prepared by public pension systems and governments sponsoring such pension systems. Although the Retirement Systems' actuaries utilize these standards in preparing certain aspects of the Actuarial Valuation, such standards do not impact the calculation of the State's contribution to the Retirement Systems which is determined pursuant to the Statutory Funding Plan.

At present, several GASB standards apply to preparing financial reports with respect to defined benefit pension plans, specifically: GASB Statement No. 67 (Financial Reporting for Pension Plans) ("GASB 67") which replaced GASB Statement No. 25 (Financial Reporting for Defined Benefit Pension Plans) ("GASB 25"), and GASB Statement No. 68 (Accounting and Financial Reporting for Pensions) ("GASB 68" and, together with GASB 67, the "New GASB Standards") which replaced GASB Statement No. 27 (Accounting for Pensions by State and Local Government Employers) ("GASB 27" and, together with GASB 25, the "Prior GASB Standards"), beginning with the fiscal year ended June 30, 2015. GASB 25 and GASB 67 establish standards for financial reporting by pension plans and GASB 27 and GASB 68 establish standards for financial reporting by the governments sponsoring such pension plans. GASB 67 and GASB 68, were approved by GASB on June 25, 2012. GASB 67 is applicable to fiscal years beginning after June 15, 2013. GASB 68 is applicable to fiscal years beginning after June 15, 2014. The New GASB Standards have subsequently been modified by GASB Statement No. 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date) and GASB Statement No. 73 (Accounting and Financial Reporting for Pensions and Related Assets).

The system of financial reporting established by the Prior GASB Standards measured the funding of pension plans through the calculation of the Actuarially Required Contribution and a comparison of the contributions actually made by an employer during a given period to such Actuarially Required Contribution for such period. The calculation of the Actuarially Required Contribution pursuant to the Prior GASB Standards differs in several ways from the calculation of contributions under the Statutory Funding Plan. The differences between the Statutory Funding Plan and the Prior GASB Standards are described in "*—Statutory Funding Plan Not in Accordance with Prior GASB Standards*" below.

Unlike the Prior GASB Standards, the New GASB Standards do not establish approaches to funding pension plans. Instead, the New GASB Standards provide standards solely for financial reporting and accounting related to pension plans. The New GASB Standards require that the Net Pension Liability (as described below) be disclosed in the notes to the financial statements of the pension system and that a proportionate share of the Net Pension Liability be recognized on the balance sheet of the employer. In addition, the New GASB Standards require an expense (the "Pension Expense") to be recognized on the income statement. The recognition of the Net Pension Liability and the Pension Expense do not measure the manner in which a pension plan is funded. As such, the New GASB Standards do not conflict with the manner of funding established in the Statutory Funding Plan.

However, certain of the actuarial assumptions and actuarial methods required by the New GASB Standards differ from those used by the Retirement Systems in preparing their Actuarial Valuations. For example, the New GASB Standards require the Retirement Systems to value their assets at the fair market value of such assets on the valuation date, whereas the Pension Code requires the Retirement Systems to use the Asset Smoothing Method (as defined herein) to value their assets for purposes of determining the State's contribution. See "ACTUARIAL METHODS—*Actuarial Value of Assets*" herein. In addition, the New GASB Standards require use of the EAN Method (as defined herein) to calculate the liability of each Retirement System, whereas the Pension Code requires the Retirement Systems to use the PUC Method (as defined herein) for such calculations. See "ACTUARIAL METHODS—*Actuarial Accrued Liability*" herein. Finally, the calculated Discount Rate (as hereinafter defined) used to discount the liabilities of each Retirement System under the New GASB Standards may differ from assumed investment rate of return assumptions separately established by the boards of each of the Retirement Systems. See "ACTUARIAL ASSUMPTIONS—*Assumed Investment Rate of Return*" herein.

Statutory Funding Plan Not in Accordance with Prior GASB Standards

The method of amortizing the UAAL used by the Statutory Funding Plan does not conform with the provisions of the Prior GASB Standards, particularly GASB 25. The provisions of the Statutory Funding Plan differ from those generally accepted accounting principles formerly required by GASB 25 in two significant respects.

First, the goal of the Statutory Funding Plan is to amortize the portion of the UAAL necessary for the Retirement Systems' Funded Ratio to reach 90% over a 50-year closed period, commencing in Fiscal Year 1996 and ending in Fiscal Year 2045, whereas GASB 25 allowed amortization of the entire UAAL over a 30-year open or closed amortization period. Second, the Statutory Funding Plan allowed the State to contribute less than the level percent of payroll necessary to reach the desired funding level for the first 15 years of the Statutory Funding Plan (the "ramp-up" period discussed below, which ended at the conclusion of Fiscal Year 2010). In contrast, GASB 25 did not permit a ramp-up to full contributions.

A closed amortization period means that the UAAL is amortized over a fixed number of years such that the UAAL will decrease to a legally defined target (which, for the State, is a 90% Funded Ratio in accordance with the Statutory Funding Plan) upon the passage of the amount of time established as the amortization period (which, for the State, is the number of years between the current period and 2045 in accordance with the Statutory Funding Plan), provided required payments are made. For example, under the Statutory Funding Plan, a 30-year amortization period was used to calculate the Required Annual Statutory Contribution for Fiscal Year 2016, while a 29-year amortization period was used to calculate the Required Annual Statutory Contribution for Fiscal Year 2017. Conversely, an open amortization period has no term limit and is therefore recalculated over the full period (generally 30 years) each time a valuation is performed. Assuming that the time periods are the same at the beginning of an amortization, amortizing through use of a closed period will have the effect of decreasing the UAAL at a greater rate than an open amortization period and, in the case of the State, will allow the State to reach its funding target by Fiscal Year 2045, provided that all required contributions are made. The actual results of both an open or closed amortization schedule will be impacted by any changes in actuarial assumptions and/or the performance of the asset portfolio.

These differences between GASB 25 and the Statutory Funding Plan account for the variation between the Required Annual Statutory Contribution and the Actuarially Required Contribution. See "—FUNDED STATUS" below. As a result, the Required Annual Statutory Contribution determined by the Retirement Systems' actuaries, while in conformity with State law, historically was less than the contribution that would otherwise have been determined in accordance with GASB 25 (the "Actuarially Required Contribution"). The Actuarially Required Contribution calculated pursuant to the Prior GASB Standards consisted of three components: (1) the Normal Cost, (2) an amortized portion of the UAAL sufficient to eliminate the UAAL over a period of time (as described in "—ACTUARIAL METHODS–*Actuarial Accrued Liability*"), and (3) one year's interest, calculated at the Assumed Actuarial Rate, on the unfunded pension liability. As discussed above, the Statutory Funding Plan requires the determination of the Required Annual Statutory Contribution by calculation of a level percent of payroll necessary to reach a 90% Funded Ratio by Fiscal Year 2045 and does not require elimination of the entire UAAL.

ACTUARIAL METHODS

The Retirement Systems use the following actuarial methods to calculate the Actuarial Value of Assets and the Actuarial Accrued Liability.

Actuarial Value of Assets

Prior to Fiscal Year 2009, the State valued assets at fair value, recognizing all investment gains and losses as they occurred. The Actuarial Value of Assets is a measure of the value of the assets available in the pension plan to pay benefits. Beginning with Fiscal Year 2009, the State recognizes actuarial investment gains and losses on such assets equally over a five-year period when determining the Actuarial Value of Assets. This method of valuation is called the "Asset Smoothing Method." Under the Asset Smoothing Method, the State will recognize in the current year 20% of the investment gain or loss incurred in each of the previous five years. State law provides for application of the Asset Smoothing Method prospectively, beginning with Fiscal Year 2009. The Asset Smoothing Method, which is an approved method for determining the Actuarial Value of Assets under the Prior GASB Standards but is not an approved method under the New GASB Standards (which require calculation of the Actuarial Value of Assets at fair market value), is intended to mitigate against extreme fluctuations in the Actuarial Value of Assets, the UAAL, the Funded Ratio, and the Required Annual Statutory Contribution that may otherwise occur as a result of market volatility. Because asset smoothing recognizes each year's gains and losses over a five-year period, the current Actuarial Value of Assets does not reflect the fair value of such assets at the time of measurement. As a result, the Actuarial Value of Assets as determined under the Asset Smoothing Method most likely will differ from the value of such assets pursuant to a valuation method that immediately recognizes investment gains and losses annually.

Actuarial Accrued Liability

As described above, the actuary for a Retirement System uses an actuarial cost method in calculating the Actuarial Accrued Liability and the Normal Cost. While actuarial cost methods differ, all are based on the concept that the funding of benefits should occur as benefits are earned by active members of a Retirement System. Different actuarial cost methods will produce different contribution patterns, but such actuarial cost methods will not change the actual cost of the benefits.

The Pension Code requires that the Actuarial Accrued Liability of the Retirement Systems be calculated pursuant to the projected unit credit actuarial cost method (the "PUC Method"), which was an approved actuarial cost method under the Prior GASB Standards. The Prior GASB Standards also authorized the use of the entry age normal actuarial cost method (the "EAN Method") instead of the PUC Method. The EAN Method is the actuarial cost method required by the New GASB Standards.

The PUC Method allocates the PV of Future Benefits based on the service credits of each member of a Retirement System. In contrast, under the EAN Method, the Normal Cost rate for each member is developed as the level percent of payroll that, if applied to the member's pay each year and contributed over the member's expected career, would fully fund the member's PV of Future Benefits. The EAN Method is designed to produce a Normal Cost that is stable in amounts that increase at the same rate as the employer's payroll, whereas the PUC Method results in a Normal Cost that tends to increase at a greater rate than the employer's payroll.

Considered independently of other factors, use of the EAN Method results in higher contribution rates associated with the earlier years of employment for active employees, when compared to the PUC Method. This allows a Retirement System to accumulate greater investment returns throughout the careers of such employees and results in lower aggregate employer contributions in the long-term. In contrast, use of the PUC Method tends to result in lower contribution rates in the earlier years of employment for active employees and, therefore, a slower accumulation of assets and rising, rather than level, contribution rates when compared to the EAN Method. Such differences between the PUC Method and the EAN Method result from the fact that the PUC Method allocates a higher portion of retirement costs closer to retirement, while the EAN Method spreads those costs evenly as a percentage of pay over the member's period of employment.

ACTUARIAL ASSUMPTIONS

General

The Actuarial Valuations of the Retirement Systems use a variety of assumptions to calculate the Actuarial Accrued Liability and the Actuarial Value of Assets. Although several of the assumptions are the same across all of the Retirement Systems, each Retirement System determines, within actuarial standards, the assumptions to be used in its Actuarial Valuation. The specific assumptions used by a Retirement System can have a substantial impact on the UAAL, the Net Pension Liability, the Funded Ratio and the State's required contribution to the Retirement System. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Retirement Systems. Variances between the assumptions and actual results will cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL, the Funded Ratio or the Actuarially Required Contribution. Certain of these assumptions are summarized in Table E-2. For additional information on these assumptions, please see each Retirement System's Actuarial Valuation.

TABLE E-2 - CERTAIN ACTUARIAL ASSUMPTIONS USED BY THE RETIREMENT SYSTEMS

	TRS	SURS	SERS	GARS	JRS
Actuarial Cost Method(1)	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Investment Rate of Return	7.00%	7.25%(4)	7.00%	6.75%	6.75%
Assumed Inflation Rate	2.50%	2.75%(4)	2.75%	2.75%	2.75%
Post-Retirement Increase (Tier 1)(2)	3.00%	3.00%	3.00%	3.00%	3.00%
Projected Salary Increases	Various(3)	3.75% to 15.0%(5)	Various(6)	3.00%(7)	3.00%(8)

Source: Actuarial Valuations of the Retirement Systems as of June 30, 2017.

(1) Under the projected unit credit actuarial cost method, the actuarial liability is the actuarial present value of that portion of a participant's projected benefit that is attributable to service to date on the basis of future compensation projected to retirement. The Normal Cost represents the actuarial present value of the participant's projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement.

(2) All values are compounded.

(3) Compensation is assumed to increase between 3.25% and 9.25% based on years of service. Of these increases, 2.50% represents inflation adjustments and 0.75% represents real wage growth.

(4) In March 2018, the SURS board lowered the investment rate of return assumption to 6.75% and the assumed inflation rate assumption to 2.25%, each effective June 30, 2018. These assumptions will be reflected in the Fiscal Year 2020 State contribution.

(5) Each member's compensation is assumed to increase by 3.75% each year, 2.75% reflecting salary inflation and 1.00% reflecting standard of living increases. For members with less than 34 years of service, an additional projected salary increase factor is added to the assumed rate. In March 2018, the SURS board lowered these assumptions to a range of 3.25% to 12.25%, effective June 30, 2018. The assumptions will be first reflected in the Fiscal Year 2020 State contribution.

(6) Assumed rates of increase vary by age and include an inflation component of 2.75%

(7) Consists of an inflation component of 2.75% and a productivity/merit/promotion component of 0.25%.

(8) Consists of an inflation component of 2.75% and a productivity/merit/promotion component of 0.25%.

The Pension Code requires each of the Retirement Systems to conduct an actuarial experience review every three years. GARS, JRS and SERS last conducted an actuarial experience review based on the three-year period ending June 30, 2015. SURS and TRS last conducted experience reviews in preparation of the Actuarial Valuation for the Fiscal Year ended June 30, 2015. SURS recently concluded an experience study based on the four-year period ended June 30, 2017. The purpose of the experience review is to determine the reasonableness of the actuarial assumptions regarding mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the Retirement Systems. Pursuant to the passage of Public Act 97-694, the State Actuary is required to review and deliver a report to the Boards regarding the reasonableness of the actuarial assumptions contained in the Actuarial Valuations of the Retirement Systems. Based upon the results of this review, the board of the applicable Retirement System may revise such actuarial assumptions as it deems appropriate. The most recent report of the State Actuary, with respect to the fiscal year ended June 30, 2017, is discussed under "—RECENT REPORTS REGARDING THE RETIREMENT SYSTEMS—*State Actuary's Fiscal Year 2017 Report.*"

Public Act 100-23 provides that, beginning in Fiscal Year 2018, changes to the amount of the State's contributions to the Retirement Systems caused by a change in the actuarial assumptions of a Retirement System will be recognized over a period of five years. This requirement applies retroactively to any changes in actuarial assumptions made since the Actuarial Valuation for the Fiscal Year ended June 30, 2012) for the Fiscal Year 2014 State contribution, and prospectively for any changes in assumption made beginning with the Fiscal Year 2016 Actuarial Valuation (for the Fiscal Year 2018 State contribution to the Retirement Systems). See "—2017 LEGISLATION MODIFYING PENSION STRUCTURE" herein.

Assumed Investment Rate of Return

The Actuarial Valuations assume an investment rate of return on the assets in each Retirement System. For the Fiscal Year ending June 30, 2009, each Retirement System assumed an investment rate of return of either 8.00% or 8.50%. Each Retirement System has since reduced its respective investment rate of return. SERS and TRS reduced their respective investment rate of return assumptions to 7.00%, and GARS and JRS reduced their respective investment rate of return assumptions to 6.75% for Fiscal Year 2016. SURS reduced its assumed investment rate of return from 7.75% to 7.25% for Fiscal Year 2014, and, in March 2018, the SURS board further reduced its assumed investment rate of return to 6.75%, effective June 30, 2018. The reductions previously approved by the Retirement Funds have the effect of increasing the UAAL and the Required Annual Statutory Contribution as the Retirement Systems assume that plan assets will produce less income to pay projected benefits. Due to the volatility of the marketplace, however, the actual rate of return earned by the Retirement Systems on their assets may be higher or lower than the assumed rate. See Table E-3 for the rates of return on the Retirement Systems' assets for the last ten fiscal years. Changes in the Retirement Systems' assets as a result of market performance will lead to an increase or decrease in the UAAL and the Funded Ratio. As a result of the State's adoption of the Asset Smoothing Method, however, only a portion of these increases or decreases will be recognized in the current year, with the remaining actuarial gain or loss spread over the remaining four years. See "—ACTUARIAL METHODS–Actuarial Value of Assets" above.

The assumed investment rates of return utilized by the Retirement Systems complied with the requirements of the Prior GASB Standards. The New GASB Standards similarly employ a rate, referred to in such statements as the "Discount Rate," which is used to discount the projected benefit payments to current participants to be made by the Retirement Systems to their actuarial present values. The Discount Rate may be a blended rate comprised of (1) a long-term expected rate of return on a Retirement System's investments (to the extent that such assets are projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate meeting certain specifications set forth in the New GASB Standards. Therefore, in certain cases in which the assets of a Retirement System are not expected to be sufficient to pay the projected benefits of such Retirement System, the Discount Rate calculated pursuant to the New GASB Standards may be lower than the investment rate of return established by the Retirement System when reporting pursuant to the Prior GASB Standards, which will have the effect of increasing the Net Pension Liability of such Retirement System relative to the Net Pension Liability of such Retirement System calculated under the rate determined pursuant to the Prior GASB Standards. See "—NET PENSION LIABILITY" herein for information regarding the sensitivity of the Net Pension Liability to changes in the Discount Rate.

Adverse market conditions resulted in negative investment returns on the Retirement Systems' assets in Fiscal Years 2008 and 2009, resulting in a significant reduction in the Funded Ratio and a corresponding increase in the UAAL. In addition, the Retirement Systems experienced investment returns significantly below those assumed by the Retirement Systems for the fiscal year ended June 30, 2016 which, combined with changes in certain actuarial assumptions by certain of the Retirement Systems, as well as other factors, caused an increase in the Retirement System's UAAL and a decrease in the Funded Ratio of the Retirement Systems as of June 30, 2016, as well as an increase in the preliminary certified contribution to the Retirement Systems for Fiscal Year 2018 by $970 million (although such preliminary certified contribution for Fiscal Year 2018 has since been re-certified as a result of the adoption of Public Act 100-23 as described under "—2017 LEGISLATION MODIFYING PENSION STRUCTURE" herein). Although positive investment returns were achieved in some intervening fiscal years, including the fiscal year ended June 30, 2017, no assurance can be given that negative trends in investment performance will not occur again in subsequent fiscal years, thereby resulting in a reduction in the Funded Ratio and a corresponding increase in the UAAL when considered independently of other factors.

TABLE E-3 - INVESTMENT RATES OF RETURN, FISCAL YEARS 2008-2017

	TRS		**SURS**		**SERS**		**GARS**		**JRS**	
Fiscal Year	*Assumed*	*Actual*	*Assumed*	*Actual*	*Assumed*	*Actual*	*Assumed*	*Actual*	*Assumed*	*Actual*
2008	8.50%	-5.0%	8.50%	-4.5%	8.50%	-6.2%	8.00%	-6.2%	8.00%	-6.2%
2009	8.50%	-22.7%	8.50%	-19.7%	8.50%	-20.1%	8.00%	-20.1%	8.00%	-20.1%
2010	8.50%	12.9%	7.75%	15.0%	7.75%	9.1%	8.00%	9.1%	7.00%	9.1%
2011	8.50%	23.6%	7.75%	23.8%	7.75%	21.7%	7.00%	21.7%	7.00%	21.7%
2012	8.00%	0.8%	7.75%	0.5%	7.75%	0.1%	7.00%	0.1%	7.00%	0.1%
2013	8.00%	12.8%	7.75%	12.5%	7.75%	14.1%	7.00%	14.1%	7.00%	14.1%
2014	7.50%	17.4%	7.25%	18.2%	7.25%	17.9%	7.00%	17.9%	7.00%	17.9%
2015	7.50%	4.0%	7.25%	2.9%	7.25%	4.7%	7.00%	4.7%	7.00%	4.7%
2016	7.00%	0.0%	7.25%	0.2%	7.00%	-0.8%	6.75%	-0.8%	6.75%	-0.8%
2017	7.00%	12.6%	7.25%	12.2%	7.00%	12.3%	6.75%	12.3%	6.75%	12.3%
5-Yr. Avg. Geometric Return	-	9.2%	-	9.0%	-	9.4%	-	9.4%	-	9.4%
10-Yr Avg. Geometric Return	-	4.8%	-	5.4%	-	4.6%	-	4.6%	-	4.6%

Source: CAFRs of the Retirement Systems for the fiscal years ending June 30, 2008 through June 30, 2017.

HISTORY OF CONTRIBUTIONS TO THE RETIREMENT SYSTEMS

Under the Pension Code, the State is required to make the Required Annual Statutory Contribution in each fiscal year.

The General Assembly and Governor enacted the Pension Funding Act in 1994. The Pension Funding Act created a 50-year schedule of State contributions to the Retirement Systems designed to achieve a 90% Funded Ratio by the end of Fiscal Year 2045 (the "Statutory Funding Plan"). In each fiscal year beyond Fiscal Year 2045, the Pension Funding Act requires that the State annually contribute the amount necessary to maintain the Funded Ratio at 90% for each Retirement System.

The Statutory Funding Plan consists of two parts: (i) a ramp-up period of increasing State contributions as a percentage of payroll in each of the Fiscal Years 1996 to 2010 and (ii) a period of contributions equal to the level percent of payroll necessary to cause the assets of the Retirement Systems to equal 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. The level percent of payroll is revised and adjusted each year based on modifications to the actuarial assumptions and changes in the Actuarial Value of Assets. During the ramp-up period, the Statutory Funding Plan required that the percentage of payroll contributed by the State increase by an equal amount in each year such that, by Fiscal Year 2010, the contribution percentage of payroll was equal to the same percentage of payroll required to be contributed for years 2011 through 2045.

The State made the Required Annual Statutory Contribution for each of Fiscal Years 1996 through 2002. These contributions were not sufficient to cover the full Normal Cost and interest, determined pursuant to the Prior GASB Standards, for such fiscal years. As a result, the UAAL continued to grow during the ramp-up period. See "—DETERMINATION OF EMPLOYER CONTRIBUTIONS–*Actuaries and the Actuarial Process*" and "—DETERMINATION OF EMPLOYER CONTRIBUTION–*Statutory Funding Plan Not in Accordance with GASB Standards*" above.

On June 12, 2003, the State issued $10 billion of general obligation pension funding bonds (the "2003 Pension Bonds") pursuant to authority granted by the General Assembly in Public Act 93-0002 (the "2003 Pension Bond Act"). The net proceeds of the 2003 Pension Bonds were used to (i) reimburse the State's General Revenue Fund for $300 million of the Required Annual Statutory Contribution made for

Fiscal Year 2003, (ii) provide funding to the State's General Revenue Fund for the full Fiscal Year 2004 Required Annual Statutory Contribution in the amount of $1.86 billion and (iii) fund a portion of the UAAL in the amount of $7.3 billion in Fiscal Year 2004. As a result, the State funded approximately 25% of its Fiscal Year 2003 Required Annual Statutory Contribution and all of its Fiscal Year 2004 Required Annual Statutory Contribution from the proceeds of the 2003 Pension Bonds and not from the General Revenue Fund. The 2003 Pension Bond Act also provided that, beginning in Fiscal Year 2005, the State's Required Annual Statutory Contributions in each fiscal year during which the 2003 Pension Bonds are outstanding may not exceed the Required Annual Statutory Contribution for each Retirement System that would have been required if the System had not received any payments from the proceeds of the 2003 Pension Bonds less the portion of the State's total debt service payments on the 2003 Pension Bonds allocated to such Retirement System based on the total moneys distributed to such Retirement System from the proceeds of the 2003 Pension Bonds (the "2003 Pension Bond Limitation"). See Table E-4 below for a schedule of the remaining annual debt service payments on the 2003 Pension Bonds.

The $7.3 billion contribution from the proceeds of the 2003 Pension Bonds directly reduced the UAAL, and, therefore, reduced future contributions from the levels that would have been required if the bond proceeds had not been used as additional contributions. The reduction of future Required Annual Statutory Contributions by the debt service payments on the 2003 Pension Bonds had the effect of increasing the UAAL, however, because the State does not make the full contribution originally required by the Statutory Funding Plan as a result of this reduction. At the time of the issuance of the 2003 Pension Bonds, the State assumed that the investment returns made on the 2003 Pension Bond proceeds used to reduce the UAAL would be greater than the debt service on the 2003 Pension Bonds, creating a net decrease in the UAAL in each year. The total interest cost percentage of the 2003 Pension Bond proceeds at the date of issuance was 5.05%. Therefore, in any year that actual investment returns, measured in dollars, exceed debt service payments on the 2003 Pension Bonds for such year, the UAAL is reduced from what the UAAL would have been in the absence of the issuance of the 2003 Pension Bonds. Conversely, in those fiscal years in which actual investment returns, measured in dollars, are less than debt service payments on the 2003 Pension Bonds, the UAAL is increased from what the UAAL would have been in the absence of the issuance of the 2003 Pension Bonds. The Retirement Funds' investment rates of return for Fiscal Years 2008 through 2017 are set forth in Table E-3. The State's future debt service requirements with respect to the 2003 Pension Bonds are set forth in Table E-4. No assurance can be given that future investment trends or legislation affecting the Statutory Funding Plan will not occur, causing further change in the UAAL.

TABLE E-4 - DEBT SERVICE ON 2003 PENSION BONDS (1)

FISCAL YEAR	DEBT SERVICE DUE ON 2003 PENSION BONDS	FISCAL YEAR	DEBT SERVICE DUE ON 2003 PENSION BONDS
2018	$614.7	2026	$ 915.4
2019	633.2	2027	936.1
2020	674.6	2028	979.2
2021	713.4	2029	1,018.5
2022	749.8	2030	1,079.0
2023	783.7	2031	1,134.4
2024	840.2	2032	1,159.7
2025	892.2	2033	1,156.1

(1) In millions of dollars.

In Fiscal Year 2005, the State made the Required Annual Statutory Contribution, which included a reduction by an amount equal to the debt service due on the 2003 Pension Bonds in that year. The UAAL increased in 2005 despite the State making the full Required Annual Statutory Contribution because the Required Annual Statutory Contribution was less than the Normal Cost plus interest.

State contributions to the Retirement Systems for Fiscal Years 2006 and 2007 were governed by the provisions of Public Act 94-0004 ("PA 94-4"). PA 94-4 modified the Statutory Funding Plan to specify reduced Required Annual Statutory Contributions for these two fiscal years. These reduced contributions were also lower than the Actuarially Required Contributions for such fiscal years. Under the provisions of the Statutory Funding Plan as originally constituted in the Pension Funding Act, the State would have been required to contribute \$2.12 billion in Fiscal Year 2006 and \$2.51 billion in Fiscal Year 2007. PA 94-4 reduced these contributions to \$0.94 billion and \$1.37 billion, respectively, which represented reductions of 55.7% and 45.3%, respectively. The contribution reductions required by PA 94-4 had the dual effect of increasing the UAAL and delaying payment of the deferred portion of the contribution to a future fiscal year.

The State made the full Required Annual Statutory Contributions for Fiscal Years 2008 and 2009 subject to the 2003 Pension Bond Limitation. The UAAL increased despite the State making the Required Annual Statutory Contributions under the Statutory Funding Plan because actual investment returns were below rate of return assumptions and the annual contributions were below the Normal Cost plus interest.

With respect to the State's contribution to the Retirement Systems for Fiscal Year 2010, pursuant to authorization under Public Act 96-0043 (the "2010 Pension Bond Act"), the State issued \$3.47 billion of general obligation pension funding bonds (the "2010 Pension Bonds") to fund a portion of the Fiscal Year 2010 Required Annual Statutory Contribution. With respect to the State's contribution to the Retirement Funds for Fiscal Year 2011, the State issued \$3.7 billion in general obligation pension funding bonds (the "2011 Pension Bonds"), pursuant to the authorization under PA 96-1497 (the "2011 Pension Bond Act"), to fund a portion of the Required Annual Statutory Contribution for Fiscal Year 2011. Neither the 2010 Pension Bond Act nor the 2011 Pension Bond Act contain provisions having an effect similar to that of the 2003 Pension Bond Limitation. In Fiscal Years 2010 and 2011, the UAAL increased even though the State made the Required Annual Statutory Contributions because such contributions were lower than the Normal Cost plus interest.

The State made all required Fiscal Year 2012, 2013, 2014, 2015, 2016 and 2017 payments to the Retirement Systems although certain portions of the required payments were not made monthly or were made during the two month "lapse period" which starts on July 1 of the following Fiscal Year (the lapse period is three months for Fiscal Year 2017). Despite the State making all such required payments, the UAAL of the Retirement Systems continued to increase during this period of time as a result of a variety of factors including contributions being lower than Normal Cost plus interest, investment returns lower than the assumed investment rate of return, and changes in actuarial assumptions. The Retirement Systems have sold assets from time to time to pay benefits as a result of a deficit between the contributions actually received by the Retirement Systems and their annual expenditures, including benefit payments, and as a means of managing cash flow delays. Failure by the State to make its payments to the Retirement Systems on a timely basis can exacerbate the pace at which the Retirement Systems may be required to sell assets to meet benefit payment requirements. If such assets are not replaced, the Actuarial Value of Assets will decrease and the UAAL and future Required Annual Statutory Contributions will increase because the Retirement Systems will no longer have those assets, or the investment earnings on those assets, to pay benefits in the future.

Pursuant to the Statutory Funding Plan, commencing with Fiscal Year 2011, the State is required to make contributions to the Retirement Systems at the level percentage of payroll necessary to increase the Funded Ratio to 90% by the end of Fiscal Year 2045. The State's ability to make the required contributions under the Statutory Funding Plan is subject to the State having the funds necessary to make the contributions required under the plan. The availability of such funds will require funded appropriations and the availability of sufficient revenues to the Retirement Systems by the State or the issuance of additional pension obligation bonds. No assurances can be given that the State will have the revenues necessary to fund the Retirement Systems from continuing operations, that payments from revenues will be made to the Retirement Systems or that such bonds will be issued. If the State for any reason does not contribute the Required Annual Statutory Contribution in any fiscal year, and it does not contribute the shortfall between the actual contribution and the Required Annual Statutory Contribution in a subsequent fiscal year, the Funded Ratio will decrease and it is unlikely that the State will be able to achieve a 90% Funded Ratio by the end of Fiscal Year 2045. If the State issues additional pension obligation bonds to make the Required Annual Statutory Contribution in any year and reduces future Required Annual Statutory Contributions by the amount of the debt service on such bonds, the UAAL will increase by the amount of such debt service. No assurance can be given that the State will not, through legislative action, subsequently modify the amount to be contributed in any given year.

Table E-5 shows the State's Actuarially Required Contributions (for fiscal years 2008 through 2015 for each of the Retirement Systems except TRS, and fiscal years 2008 through 2016 for TRS) and the ADC (as hereinafter defined) (for fiscal years 2016 and 2017 for each of the Retirement Systems except TRS, and fiscal year 2017 for TRS) along with the percentage of those contributions actually made in each of 2008 through 2017.

TABLE E-5 - HISTORY OF STATE CONTRIBUTIONS (1)

Fiscal Year	Amount Contributed(2)	Actuarially Required Contribution or ADC	Percentage Contributed
2008	$2,145.0	$3,729.2	57.5%
2009	2,891.9	4,076.4	70.9%
2010	4,130.9	4,786.8	86.3%
2011	4,298.6	5,906.6	72.8%
2012	5,012.8	6,609.6	75.8%
2013	5,893.9	7,015.3	84.0%
2014	6,944.7	7,752.0	89.6%
2015	7,020.1	7,896.8	88.9%
2016(3)	7,501.9	8,388.4	89.4%
2017(3)	7,803.6	10,422.7	74.9%(4)

Source: Comprehensive Annual Financial Reports of the Retirement Systems for the fiscal years ending June 30, 2008 through June 30, 2017 and the Actuarial Valuations of the Retirement Systems for the fiscal year ended June 30, 2017..

(1) In millions of dollars.

(2) Includes all State funds. TRS also includes local employers and federal funds that count towards the Actuarially Required Contribution (ARC).

(3) As described under the heading "DETERMINATION OF EMPLOYER CONTRIBUTIONS—GASB Financial Reporting Standards," the New GASB Standards no longer require the calculation of the Actuarially Required Contribution. Under the New GASB Standards, the Board of a Retirement System calculates an Actuarially Determined Contribution ("ADC") on a basis set forth in its Actuarial Valuation. Prior to the fiscal year ended June 30, 2016 (June 30, 2017 for TRS), the Retirement Systems used the Actuarially Required Contribution as the ADC. Beginning with the fiscal year ended June 30, 2016 (June 30, 2017 for TRS), the Actuarial Valuations of the Retirement Systems included an ADC which amortizes the UAAL of the respective Retirement System over a fixed period of time as opposed to the open 30-year amortization period used to calculate the Actuarially Required Contribution. For the fiscal year ended June 30, 2017, the remaining amortization periods (with the original amortization period provided in parentheses) used in calculating the ADCs of the individual Retirement Systems were as follows: TRS: 20 years (20 years); SURS: 28 (30 years); SERS: 23 years (25 years); JRS: 23 years (25 years); and GARS: 18 years (20 years). Future gains and losses will be amortized over subsequent original amortization periods. As a result of the differences in the calculation of the ADC and the Actuarially Required Contribution discussed in this note, the ADC for the fiscal year ended June 30, 2017 would exceed the amount of the Actuarially Required Contribution had it been calculated, and, as a result, the percentage of the ADC contributed is lower than the percentage of the Actuarially Required Contribution would have been had it been calculated, primarily as a result of the remaining amortization periods used in calculating the ADC being (i) less than the 30 year period used in calculating the Actuarially Required Contribution, and (ii) fixed time periods as opposed to open time periods.

(4) The State's percentage contributed declined in Fiscal Year 2017 primarily as a result of TRS establishing a 20-year closed amortization period in calculating its ADC. This amortization period, which is shorter than that used in calculating the Required Annual Statutory Contribution, causes the ADC for TRS to substantially exceed the Required Annual Statutory Contribution which the State is authorized to pay under the Pension Code, and, as such, the difference between the ADC and the actual State contribution to TRS increased.

The State contributions to the Retirement Systems for Fiscal Year 2018, which were certified in January 2017, totaled $8,820 million, an increase of $970 million from the certified Fiscal Year 2017 contributions. The increase in State contributions was due, in part, to investment returns lower than expected for the Retirement Systems, as well as the effect of recent changes to the actuarial assumptions of certain of the Retirement Systems. However, as a result of the adoption of Public Act 100-23, the State's Fiscal Year 2018 contribution was re-certified to approximately $7,911 million, a decline of approximately $909 million from the preliminary certified contribution for Fiscal Year 2018. Such re-certifications remain subject to review by the State actuary. See "—2017 LEGISLATION MODIFYING PENSION STRUCTURE" herein.

The State expects that the amount of its contribution to the Retirement Systems for the fiscal year ending June 30, 2019 will increase relative to the State's contributions in previous fiscal years as a result of, among other factors, the reduction in the assumed investment rate of return by TRS and SERS, changes in other assumptions by SERS and investment returns in Fiscal Year 2016 being substantially lower than assumed. In addition, the State expects that its contributions to SERS will increase in future years as a result of the AFCSME Decision, as described in the Preliminary Official Statement under the heading "STATE FINANCIAL INFORMATION—Collective Bargaining", which caused a retroactive increase in pensionable salaries for certain State employees.

FUNDED STATUS

As of the end of Fiscal Year 2017, the Retirement Systems had an aggregate UAAL of approximately $129.1 billion on a fair value basis and $128.9 billion on an actuarial basis (calculated pursuant to the Asset Smoothing Method), resulting in respective Funded Ratios of 39.8% and 39.9%. Factors contributing to the increased UAAL from Fiscal Year 2016 to Fiscal Year 2017 include State contributions less than the Actuarially Required Contribution.

The following tables summarize the financial condition of the Retirement Systems for Fiscal Years 2013 through 2017.

TABLE E-6
FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS
FISCAL YEAR 2017
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self-Managed Plan of SURS[1]
Beginning Net Assets[2]	$15,038,528	$45,250,957	$17,005,630	$ 49,052	$ 840,289	$ 78,184,456	$1,825,506
Income							
Member Contributions	$ 251,611	$ 929,130	$ 278,643	$ 1,284	$ 14,770	$ 1,475,438	$ 85,217
State and Employer Contributions	1,798,348	4,135,860	1,650,551	21,721	131,334	7,737,814	66,916
Investment Income	1,812,878	5,520,453	1,994,310	5,140	97,796	9,430,577	266,350
Total	$ 3,862,837	$10,585,443	$ 3,923,504	$ 28,145	$ 243,900	$ 18,643,829	$ 418,483
Expenditures							
Benefits and Refunds	$ 2,355,228	$ 6,438,006	$ 2,429,467	$ 22,493	$ 141,471	$ 11,386,665	$ 73,282
Administration	15,957	22,729	14,847	355	914	54,802	456
Total	$ 2,371,185	$ 6,460,735	$ 2,444,314	$ 22,848	$ 142,385	$ 11,441,467	$ 73,738
Ending Net Assets (Fair value)	$16,530,180	$49,375,665	$18,484,820	$ 54,349	$ 941,804	$ 85,386,818	$2,170,251
Actuarial Value of Assets	16,558,873	49,467,525	18,594,326	55,063	942,988	85,618,775	N/A
Actuarial Accrued Liabilities	46,701,348	122,904,034	41,853,348	370,758	2,649,258	214,478,746	N/A
UAAL (Fair Value)	30,171,168	73,528,369	23,368,528	316,409	1,707,454	129,091,928	N/A
UAAL (Actuarial Value)[3]	30,142,475	73,436,509	23,259,022	315,695	1,706,270	128,859,971	N/A
Funded Ratio (Fair Value)	35.4%	40.3%	44.2%	14.7%	35.6%	39.8%	N/A
Funded Ratio (Actuarial Value)[3]	35.5%	40.3%	44.4%	14.9%	35.6%	39.9%	N/A

Source: Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2017. Table may not add due to rounding. Certain information was provided by the Retirement Systems.

(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. See "BACKGROUND INFORMATION REGARDING THE RETIREMENT SYSTEMS".

(2) Reflects valuation of assets on a fair value basis as of June 30, 2016.

(3) The actuarial value is determined by the methods as discussed in "ACTUARIAL METHODS - Actuarial Value of Assets."

TABLE E-7
FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS
FISCAL YEAR 2016
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan of SURS[1]
Beginning Net Assets[2]	$15,258,867	$46,406,916	$17,462,968	$ 54,574	$ 833,910	$ 80,017,235	$1,753,554
Income							
Member Contributions	$ 256,198	$ 951,809	$ 278,884	$ 1,310	$ 14,962	$ 1,503,163	$ 76,457
State and Employer Contributions	1,882,243	3,890,510	1,582,294	16,073	132,060	7,503,180	65,370
Investment Income	(125,443)	(44,103)	17,044	(539)	(6,471)	(159,512)	3,192
Total	$ 2,012,999	$ 4,798,216	$ 1,878,222	$ 16,843	$ 140,552	$ 8,846,831	$ 145,019
Expenditures							
Benefits and Refunds	$ 2,217,210	$ 5,931,207	$ 2,320,829	$ 21,983	$ 133,230	$ 10,624,459	$ 72,588
Administration	16,127	22,968	14,731	382	943	55,151	479
Total	$ 2,233,337	$ 5,954,175	$ 2,335,560	$ 22,365	$ 134,173	$ 10,679,610	$ 73,067
Ending Net Assets (Fair value)	$15,038,528	$45,250,957	$17,005,630	$ 49,052	$ 840,289	$ 78,184,456	$1,825,506
Actuarial Value of Assets	15,632,604	47,222,098	17,701,646	50,823	870,893	81,478,064	N/A
Actuarial Accrued Liabilities	45,515,370	118,629,890	40,923,301	363,337	2,546,450	207,978,348	N/A
UAAL (Fair Value)	30,476,842	73,378,934	23,917,671	314,285	1,706,161	129,793,898	N/A
UAAL (Actuarial Value)[3]	29,882,766	71,407,792	23,221,655	312,514	1,675,557	126,500,284	N/A
Funded Ratio (Fair Value)	33.0%	38.1%	41.6%	13.5%	33.0%	37.6%	N/A
Funded Ratio (Actuarial Value)[3]	34.4%	39.8%	43.3%	14.0%	34.2%	39.2%	N/A

Source: Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2016. Table may not add due to rounding. Certain information was provided by the Retirement Systems

(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. See "BACKGROUND INFORMATION REGARDING THE RETIREMENT SYSTEMS."

(2) Reflects valuation of assets on a fair value basis as of June 30, 2015.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "ACTUARIAL METHODS—Actuarial Value of Assets."

TABLE E-8
FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS
FISCAL YEAR 2015
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan of SURS[(1)]
Beginning Net Assets[(2)]	$14,581,565	$45,825,382	$17,391,323	$ 56,790	$ 776,012	$78,631,072	$1,584,691
Income							
Member Contributions	$ 266,139	$ 935,451	$ 267,682	$ 1,487	$ 15,431	$ 1,486,191	$ 72,328
State and Employer Contributions	1,804,319	3,523,257	1,528,525	15,871	134,040	7,006,012	62,334
Investment Income	681,377	1,770,550	503,200	2,288	36,009	2,993,424	90,461
Total	$ 2,751,835	$ 6,229,257	$ 2,299,407	$ 19,646	$ 185,480	$11,485,625	$ 225,123
Expenditures							
Benefits and Refunds	$ 2,057,987	$ 5,625,037	$ 2,213,694	$ 21,467	$ 126,600	$10,044,785	$ 55,794
Administration	16,548	21,687	14,069	395	983	53,681	466
Total	$ 2,074,535	$ 5,646,724	$ 2,227,763	$ 21,861	$ 127,583	$10,098,466	$ 56,260
Ending Net Assets (Fair value)	$15,258,865	$46,407,915	$17,462,967	$ 54,574	$ 833,909	$80,018,230	$1,753,554
Actuarial Value of Assets	14,741,736	45,435,193	17,097,255	52,565	804,189	78,130,937	N/A
Actuarial Accrued Liabilities	40,743,410	108,121,825	39,520,687	328,244	2,314,147	191,028,313	N/A
UAAL (Fair Value)	25,484,545	61,713,910	22,057,720	273,670	1,480,238	111,010,083	N/A
UAAL (Actuarial Value)[(3)]	26,001,674	62,686,632	22,423,432	275,679	1,509,959	112,897,376	N/A
Funded Ratio (Fair Value)	37.5%	42.9%	44.2%	16.6%	36.0%	41.9%	N/A
Funded Ratio (Actuarial Value)[(3)]	36.2%	42.0%	43.3%	16.0%	34.8%	40.9%	N/A

Source: Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2015. Table may not add due to rounding. Certain information was provided by the Retirement Systems

(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. See "BACKGROUND INFORMATION REGARDING THE RETIREMENT SYSTEMS."

(2) Reflects valuation of assets on a fair value basis as of June 30, 2014.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "ACTUARIAL METHODS—Actuarial Value of Assets."

TABLE E-9
FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS
FISCAL YEAR 2014
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan of SURS(1)
Beginning Net Assets(2)	$12,400,299	$39,858,768	$15,037,102	$ 54,348	$ 643,329	$67,993,846	$1,259,340
Income							
Member Contributions	$ 269,232	$ 928,746	$ 283,081	$ 1,503	$ 15,919	$ 1,498,481	$ 65,531
State and Employer Contributions	1,699,448	3,596,717	1,502,864	13,957	126,816	6,939,802	57,162
Investment Income	2,169,346	6,782,032	2,667,900	8,363	110,059	11,737,700	246,288
Total	$ 4,138,026	$11,307,495	$ 4,453,845	$ 23,823	$ 252,794	$20,175,983	$ 368,981
Expenditures							
Benefits and Refunds	$ 1,940,145	$ 5,320,663	$ 2,085,766	$ 21,046	$ 119,279	$ 9,486,899	$ 43,190
Administration	16,615	21,218	13,858	335	832	52,858	440
Total	$ 1,956,760	$ 5,341,881	$ 2,099,624	$ 21,381	$ 120,111	$ 9,539,757	$ 43,630
Ending Net Assets (Fair value)	$14,581,565	$ 45,824,382	$17,391,323	$ 56,790	$ 776,012	$78,630,072	$1,584,691
Actuarial Value of Assets	13,315,613	42,150,765	15,844,714	51,598	705,250	72,067,940	N/A
Actuarial Accrued Liabilities	39,526,845	103,740,377	37,429,515	323,379	2,229,277	183,249,393	N/A
UAAL (Fair Value)	24,945,280	57,915,995	20,038,192	266,589	1,453,265	104,619,321	N/A
UAAL (Actuarial Value)(3)	26,211,232	61,589,612	21,584,801	271,781	1,524,027	111,181,453	N/A
Funded Ratio (Fair Value)	36.9%	44.2%	46.5%	17.6%	34.8%	42.9%	N/A
Funded Ratio (Actuarial Value)(3)	33.7%	40.6%	42.3%	16.0%	31.6%	39.3%	N/A

Source: Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2014. Table may not add due to rounding. Certain information was provided by the Retirement Systems.

(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. See "BACKGROUND INFORMATION REGARDING THE RETIREMENT SYSTEMS."

(2) Reflects valuation of assets on a fair value basis as of June 30, 2013.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "ACTUARIAL METHODS—Actuarial Value of Assets."

TABLE E-10
FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS
FISCAL YEAR 2013
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan of SURS[1]
Beginning Net Assets[2]	$10,960,686	$36,516,825	$13,705,143	$ 52,745	$ 577,975	$61,813,374	$1,042,819
Income							
Member Contributions	$ 248,170	$ 921,422	$ 245,141	$ 1,451	$ 16,369	$ 1,432,553	$ 59,938
State and Employer Contributions	1,531,932	2,860,492	1,401,481	14,150	88,240	5,896,295	49,239
Investment Income	1,501,238	4,561,768	1,694,772	6,493	76,886	7,841,157	147,496
Total	$ 3,281,340	$ 8,343,682	$ 3,341,394	$ 22,094	$ 181,495	$15,170,005	$ 256,673
Expenditures							
Benefits and Refunds	$ 1,824,256	$ 4,981,481	$ 1,996,009	$ 20,151	$ 115,309	$ 8,937,206	$ 39,726
Administration	17,471	20,258	13,426	340	832	52,327	426
Total	$ 1,841,727	$ 5,001,739	$ 2,009,435	$ 20,491	$ 116,141	$ 8,989,533	$ 40,152
Ending Net Assets (Fair value)	$12,400,299	$39,858,768	$15,037,102	$ 54,348	$ 643,329	$67,993,846	$1,259,340
Actuarial Value of Assets	11,877,419	38,155,191	14,262,621	51,850	610,196	64,957,277	N/A
Actuarial Accrued Liabilities	34,720,765	93,886,988	34,373,104	320,462	2,156,805	165,458,124	N/A
UAAL (Fair Value)	22,320,466	54,028,220	19,336,002	266,114	1,513,476	97,464,278	N/A
UAAL (Actuarial Value)[3]	22,843,346	55,731,797	20,110,483	268,612	1,546,609	100,500,847	N/A
Funded Ratio (Fair Value)	35.7%	42.5%	43.7%	17.0%	29.8%	41.1%	N/A
Funded Ratio (Actuarial Value)[3]	34.2%	40.6%	41.5%	16.2%	28.3%	39.3%	N/A

Source: Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2013. Table may not add due to rounding. Certain information was provided by the Retirement Systems.

(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. See "BACKGROUND INFORMATION REGARDING THE RETIREMENT SYSTEMS."

(2) Reflects valuation of assets on a fair value basis as of June 30, 2012.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "ACTUARIAL METHODS—Actuarial Value of Assets."

Tables E-11 presents information regarding the aggregate funding progress of the Retirement Systems for Fiscal Years 2008 through 2017.

TABLE E-11 - SCHEDULE OF FUNDING PROGRESS[1]
FAIR VALUE OF ASSETS AND ACTUARIAL VALUE OF ASSETS
($ IN MILLIONS)

BASED ON FAIR VALUE OF ASSETS

FY	Fair Value of Assets[2] (a)	Actuarial Accrued Liability (b)	UAAL (b-a)	Funded Ratio (a/b)	Payroll (c)	UAAL as a % of Payroll ([b-a]/c)
2008	$64,701	$119,084	$54,384	54.3%	$15,949	341.0%
2009	48,542	126,436	77,893	38.4%	16,607	469.0%
2010	53,225	138,794	85,569	38.3%	17,042	502.1%
2011	63,382	146,460	83,078	43.3%	17,062	486.9%
2012	61,813	158,612	96,798	39.0%	17,314	559.1%
2013	67,934	165,458	97,524	41.1%	17,357	561.9%
2014	78,630	183,249	104,619	42.9%	17,637	593.2%
2015	79,981	191,028	111,048	41.9%	17,890	620.7%
2016	78,184	207,798	129,794	37.6%	17,798	729.3%
2017	85,387	214,479	129,092	39.8%	17,813	724.7%

BASED ON ACTUARIAL VALUE OF ASSETS

FY	Actuarial Value of Assets[3] (a)	Actuarial Accrued Liability (b)	UAAL (b-a)	Funded Ratio (a/b)	Payroll (c)	UAAL as a % of Payroll ([b-a]/c)
2009	$63,996	$126,436	$62,439	50.6%	$16,601	376.0%
2010	63,053	138,794	75,741	45.4%	17,042	444.4%
2011	63,553	146,460	82,907	43.4%	17,062	485.9%
2012	64,030	158,612	94,582	40.4%	17,314	546.3%
2013	64,957	165,458	100,501	39.3%	17,357	579.0%
2014	72,068	183,249	111,181	39.3%	17,637	630.4%
2015	78,131	191,028	112,897	40.9%	17,890	631.1%
2016	81,478	207,978	126,500	39.2%	17,798	710.7%
2017	85,619	214,479	128,860	39.9%	17,813	723.4%

Source: Comprehensive Annual Financial Reports of the Retirement Systems for the fiscal years ending June 30, 2008, through June 30, 2016 and the Actuarial Valuations of the Retirement Systems for the fiscal year ended June 30, 2017.

(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. See "BACKGROUND INFORMATION REGARDING THE RETIREMENT SYSTEMS."

(2) Measures assets at fair value.

(3) Beginning in fiscal year 2009, the actuarial value of assets was determined in accordance with the Asset Smoothing Method. See discussion of Asset Smoothing Method in "ACTUARIAL METHODS–Actuarial Value of Assets."

NET PENSION LIABILITY

GASB 67 calls for the calculation and disclosure of the "Net Pension Liability," which is the difference between the actuarial present value of projected benefit payments that is attributed to past periods of employee service calculated pursuant to the methods and assumptions set forth in the New GASB Standards (referred to in such statements as the "Total Pension Liability") and the value of the pension plan's assets (referred to as the "Fiduciary Net Position"), calculated at fair market value.

The concept of the Net Pension Liability is similar to the concept of the UAAL. However, because the Fiduciary Net Position is calculated at fair market value, and because of the differences in the manner of calculating the Total Pension Liability as compared to the Actuarial Accrued Liability under the Prior GASB Standards, the Retirement Systems' UAAL and Net Pension Liability most likely will differ on each measurement date.

Table E-12A presents the Net Pension Liability of each Retirement System as of June 30 of the years 2014 through 2017. Table E-12B provides information regarding the impact of potential changes to the Discount Rate on the Net Pension Liability for fiscal year ended June 30, 2017. For additional discussion regarding the rates of return and the Discount Rate as employed by the actuaries of the Retirement Systems, see "ACTUARIAL ASSUMPTIONS—Assumed Investment Rate of Return" above. The June 30, 2014, calculation of the Net Pension Liability was the initial calculation of the Net Pension Liability pursuant to the New GASB Standards, and, as such, historical information is not available.

TABLE E-12A - NET PENSION LIABILITY (1)

	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a Percentage of Total Pension Liability
		TRS		
2014	$106,683	$45,824	$60,858	43.0%
2015	111,917	46,407	65,510	41.5%
2016	124,187	45,251	78,936	36.4%
2017	125,774	49,376	76,398	39.3%
		SURS		
2014	$39,182	$17,391	$21,791	44.4%
2015	41,219	17,463	23,756	42.4%
2016	42,971	17,006	25,965	39.6%
2017	43,966	18,485	25,481	42.0%
		SERS		
2014	$41,685	$14,582	$27,104	35.0%
2015	43,267	15,259	28,008	35.3%
2016	49,184	15,039	34,145	30.6%
2017	49,437	16,530	32,907	33.4%
		JRS		
2014	$2,231	$776	$1,455	34.8%
2015	2,353	834	1,519	35.4%
2016	2,638	840	1,797	31.9%
2017	2,713	942	1,771	34.7%
		GARS		
2014	$398	$57	$341	14.3%
2015	333	55	278	16.5%
2016	374	49	325	13.1%
2017	378	54	324	14.3%
		Total		
2014	$190,179	$78,630	$111,549	41.3%
2015	199,090	80,017	119,071	40.2%
2016	219,353	78,185	141,169	35.6%
2017	222,268	85,387	136,881	38.4%

Source: The Actuarial Valuations of the Retirement Systems for the fiscal years ended June 30, 2014 through June 30, 2017.

(1) In millions. Rows and columns may not sum due to rounding.

TABLE E-12B - SENSITIVITY OF NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE (1)

	Fiscal Year 2017		
	1% Decrease	Current	1% Increase
TRS			
Discount Rate	6.00%	7.00%	8.00%
Net Pension Liability	$93,865	$76,398	$62,091
SURS			
Discount Rate	6.09%	7.09%	8.09%
Net Pension Liability	$30,885	$25,481	$20,997
SERS			
Discount Rate	5.78%	6.78%	7.78%
Net Pension Liability	$39,818	$32,907	$27,251
GARS			
Discount Rate	5.66%	6.66%	7.66%
Net Pension Liability	$368	$324	$287
JRS			
Discount Rate	5.58%	6.58%	7.58%
Net Pension Liability	$2,091	$1,771	$1,502

Source: The Actuarial Valuations of the Retirement Systems for the fiscal years ended June 30, 2017.

(1) In millions.

COMPONENTS OF CHANGE IN UNFUNDED LIABILITY

A variety of factors impact the Retirement Systems' UAAL. Unexpected increases in member salary and benefits, a lower return on investment than that assumed by the Retirement Systems and employer contributions less than the Actuarially Required Contribution will, each taken independently of other legislative or market effects, cause an increase in the UAAL. Conversely, unexpected decreases in member salary and benefits, a higher return on investment than assumed, an increase in employee contributions and employer contributions in excess of the Actuarially Required Contribution, each taken independently of other legislative or market effects, will decrease the UAAL. In addition, changes in actuarial assumptions and certain other factors may also impact the UAAL. Table E-13 provides information regarding the sources of the change in the UAAL for the Retirement Systems from Fiscal Years 2008 through 2017. The UAAL on a fair value basis increased from approximately $54.4 billion at the end of Fiscal Year 2008 to approximately $129.1 billion at the end of Fiscal Year 2017, an increase of $74.7 billion. No assurances can be given that the State will make the appropriations necessary to meet any deficiencies incurred by the Retirement Systems.

TABLE E-13 - COMPONENTS OF CHANGE IN UNFUNDED LIABILITY

Fiscal Year	Salary Increases/ (Decreases)	Investment Returns (Higher)/Lower Than Assumed[2]	Employer Contributions (Higher)/Lower than Normal Cost Plus Interest[3]	Benefit Increases	Changes In Actuarial Assumptions	Other Factors[4]	Total Change in Unfunded Liability From Previous Year
2008	$ 72.8	$ 9,312.3	$2,785.9	$0.0	$ 0.0	$ 35.5	$12,206.5
2009	(105.8)	3,831.9	3,231.3	0.0	0.0	1,097.7	8,055.2
2010	(421.9)	4,818.1	2,746.1	0.0	5,209.1	950.5	13,301.8
2011	(847.3)	2,667.2	3,666.0	0.0	581.3	1,098.7	7,166.0
2012	(1,294.5)	2,844.8	4,308.0	0.0	4,625.0	1,191.5	11,674.8
2013	(631.2)	2,398.7	3,353.0	0.0	71.3	727.3	5,919.1
2014	(229.0)	(3,130.5)	2,408.9	0.0	11,107.0	524.2	10,680.6
2015	(820.3)	(2,399.6)	3,212.9	0.0	1,559.3	163.7	1,715.9
2016	(957.9)	701.8	2,730.4	0.0	9,669.0	1,471.4	13,614.7
2017	(598.9)	(701.7)	3,195.2	0.0	0.0	465.0	2,359.6
Total	$(5,519.1)	$14,271.5	$34,962.0	$0.0	$35,557.3	$8,867.8	$88,139.6

Source: Commission on Government Forecasting and Accountability, Report on the Financial Condition of the Illinois Retirement Systems: Financial Condition as of June 30, 2014. See "RECENT REPORTS AND OTHER DEVELOPMENTS REGARDING THE RETIREMENT SYSTEMS—Report of the Commission on Government Forecasting and Accountability." Information regarding Fiscal Years 2015, 2016 and 2017 was provided by the Retirement Systems.

(1) Dollars in millions. Table may not add due to rounding.

(2) Investment returns beginning Fiscal Year 2009 based on Asset Smoothing Method.

(3) To determine whether employer contributions represented an increase or decrease in UAAL, such contributions are measured against contributions based on the Normal Cost plus interest. If employer contributions exceed Normal Cost plus interest, the UAAL will decrease. If employer contributions are less than Normal Cost plus interest, the UAAL will increase.

(4) Other factors include, but are not limited to, higher or lower incidences of retirement, disability, in-service mortality, retiree mortality or terminations than assumed.

PROJECTION OF CONTRIBUTIONS AND FUNDED STATUS

Table E-14 provides a projection of the State's Required Annual Statutory Contribution and Table E-15 provides a projection of the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL and the Funded Ratio throughout the life of the Statutory Funding Plan. These projections are forward-looking statements regarding future events and are based on the actuarial assumptions contained in the Statutory Funding Plan and assumptions made regarding such future events, including the assumption that all projected contributions to the Retirement Systems are made as required. No assurance can be given that the assumptions underlying these projections will reflect actual experience of the Retirement Systems. In the event that the Retirement Systems' experience is different from these assumptions, no assurance can be given that such experience will not cause material changes to the data presented in this table. Specifically, as described in "ACTUARIAL ASSUMPTIONS—General" above, recent actuarial assumption changes by TRS and SERS combined with investment returns significantly lower than assumed for the Retirement Systems for the fiscal year ended June 30, 2017, will increase the State's contribution to the Retirement Systems in future years. Public Act 100-23 required the Retirement Systems to re-certify the State's Fiscal Year 2018 contribution taking into account the changes made in such legislation. As re-certified, the amount of the Fiscal Year 2018 contribution is $7,911 million, which is a $909 million decline from the preliminary aggregate certified contribution for Fiscal Year 2018, but is, in the aggregate, $231 million more than the certified contribution for Fiscal Year 2017. See "—2017 LEGISLATION MODIFYING PENSION STRUCTURE" herein. The changes in the State's contribution due to the phase-in of the effect of such changes in assumptions are not reflected in Tables E-14 or E-15.

TABLE E-14 - PROJECTED REQUIRED ANNUAL STATUTORY CONTRIBUTIONS TO THE RETIREMENT SYSTEMS[(1)]

Fiscal Year	Projected Required Annual Statutory Contributions[(1)]
2018	$ 7,911
2019	8,450
2020	9,011
2025	10,529
2030	11,937
2035	14,664
2040	16,910
2045	19,379

Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2017, except that the fiscal year 2018 contribution represents the total contribution recertified by the Retirement Systems pursuant to Public Act 100-23.

(1) Dollars in millions. Excludes, with respect to TRS and SURS, contributions from trust funds and federal funds and, with respect to TRS, minimum retirement allowances.

TABLE E-15- PROJECTION OF FUTURE RETIREMENT SYSTEMS FUNDING STATUS (1)

Fiscal Year	Actuarial Value of Assets(2)	Actuarial Accrued Liability	Unfunded Accrued Actuarial Liabilities (UAAL)	Funded Ratio
	(a)	(b)	(b-a)	(a/b)
2018	$ 89,476.52	$221,186.51	$131,709.99	40.45%
2019	92,459.13	227,848.65	135,389.53	40.58%
2020	96,325.61	234,430.58	138,104.97	41.09%
2025	120,723.68	265,443.37	144,719.69	45.48%
2030	145,681.25	291,328.17	145,646.92	50.01%
2035	176,735.41	310,175.59	133,440.18	56.98%
2040	222,966.09	321,225.45	98,259.35	69.41%
2045	294,134.93	326,816.39	32,681.47	90.00%

Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2017.

(1) Dollars in millions.

(2) Measured in accordance with the Asset Smoothing Method. See discussion of the Asset Smoothing Method under "ACTUARIAL METHODS—Actuarial Value of Assets."

2010 LEGISLATION MODIFYING PENSION STRUCTURE

The State has not provided significant benefit enhancements for Retirement System members since 2003.

On March 24, 2010, the General Assembly enacted Public Act 96-0889 ("PA 96-889"). PA 96-889 provided for significant reforms to the Retirement Systems, most notably by establishing a "two-tier" pension system expected to reduce pension payments for employees who become members of the Retirement Systems after January 1, 2011 ("Tier Two Employees"), as compared to those provided to State employees who commenced employment prior to January 1, 2011 ("Tier One Employees"). PA 96-889 did not impact persons that first became members or participants prior to its effective date of January 1, 2011. An additional tier of employees, hereinafter defined as Tier Three Employees, was created by Public Act 100-23. See "—2017 LEGISLATION MODIFYING PENSION STRUCTURE" herein.

Taken independently of other legislative or market effects, the reduced benefits afforded new hires by PA 96-889 are expected to reduce the growth in the Actuarial Accrued Liability, the UAAL and the Required Annual Statutory Contribution. In calculating the Actuarial Accrued Liability, the actuaries make assumptions about future benefit levels. As a greater percentage of the State's workforce is covered by PA 96-889, the value of future benefits is expected to decrease and the Actuarial Accrued Liability is expected to decrease. Consequently, the UAAL is expected to decrease and the Funded Ratio to increase. As the growth in the UAAL slows, the Required Annual Statutory Contribution is expected to decline as the amount of UAAL to be amortized decreases.

Because the actuarial calculations look to the future to determine the amount of assets and liabilities that will accumulate over time, the reduction in future benefits under PA 96-889 caused an immediate reduction in the State's required contribution to the Retirement System for Fiscal Year 2011 under the current Statutory Funding Plan after recertification pursuant to Public Act 96-1497. In the long-term, this decrease in future benefits is expected to reduce the sum of contributions required to reach the applicable statutorily required target Funded Ratio because the State's liability for benefits is expected to decrease as a greater number of employees earn lower benefits, assuming a relatively static pool of employees. In the short-term, however, these decreased contributions are expected to have the effect of increasing the

UAAL because the majority of employees earning benefits in the short-term will earn those benefits under the provisions of the former plan. Therefore, although the cost of benefits will not change dramatically until a large portion of employees are covered by the new benefits, in the short-term the amount of the Required Annual Statutory Contribution will decrease, increasing the UAAL and decreasing the Funded Ratio. The Retirement Systems currently project that the number of Tier Two Employees will exceed the number of Tier One Employees beginning in the fiscal years as follows: (i) for TRS, Fiscal Year 2024; (ii) for SERS, Fiscal Year 2022; (iii) for SURS, Fiscal Year 2027; (iv) for GARS, Fiscal Year 2020; and (v) for JRS, Fiscal Year 2021.

2013 LEGISLATION MODIFYING PENSION STRUCTURE

PA 98-0599 was signed into law on December 5, 2013 and provided for changes to funding levels, automatic annual increases, retirement ages and employee contributions for TRS, SERS, SURS and GARS. PA 98-0599 was scheduled to take effect on June 1, 2014. However, PA 98-0599 was declared unconstitutional and void in its entirety by the Illinois Supreme Court on May 8, 2015. The State did not file an appeal to the U.S. Supreme Court with respect to the Illinois Supreme Court's determination regarding the constitutionality of PA 98-0599.

2017 LEGISLATION MODIFYING PENSION STRUCTURE

Public Act 100-23, which became effective on July 6, 2017, includes several reforms to the Retirement Systems. Specifically, Public Act 100-23: (i) establishes a new benefit plan for Tier Three Employees (as hereinafter defined), (ii) shifts certain pension costs to local employers participating in a Retirement System, and (iii) smooths changes in the State's contributions to the Retirement Systems resulting from changes in actuarial assumptions by the Retirement Systems.

Creation of Tier 3. With respect to TRS, SURS and SERS, Public Act 100-23 creates an additional tier ("Tier 3") of benefits and related contributions. Employees ("Tier Three Employees") will join Tier 3 either by (1) being a new employee who elects to receive Tier 3 benefits or (2) being an existing Tier 2 employee who elects to receive Tier 3 benefits. Employees may join Tier 3 once their respective Retirement System implements the plan.

The Tier 3 plan will offer a combination of a defined benefit and defined contribution plan. The defined benefit portion of Tier 3 includes the following provisions:

- A pensionable salary cap indexed to the social security wage base (currently $127,200);
- A cost of living adjustment equal to ½ of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not compounded;
- A normal retirement age indexed to social security (currently age 67);
- A final average salary equal to the average salary over the last ten years of an employee's service with the retirement annuity calculated by multiplying each year of service by the final average salary multiplied by 1.25%.

Once implemented, local employers and employees will assume the normal cost for the defined benefit costs for Tier Three Employees. Employees will contribute the lesser of the Normal Cost or 6.2% of salary for the defined benefit portion. Employers of employees who elect to participate in Tier 3 are to contribute (i) with respect to TRS and SURS employers only, the employer normal cost, plus an amount necessary to reduce the UAAL over a 30-year open amortization period, and (ii) beginning in Fiscal Year 2021, an additional 2% of the total payroll of each employee participating in Tier 3. In addition, employers of employees who elect to participate in Tier 2 in lieu of Tier 3 are to contribute (i) with respect to SURS employers only, the employer normal cost, plus an amount necessary to reduce the UAAL over a 30-year open amortization period, and (ii) beginning in Fiscal Year 2021, an additional 2% of the total payroll of each employee participating in Tier 2 in lieu of Tier 3.

In addition to the defined benefit, Tier Three Employees will have a defined contribution plan. The defined contribution will consist of funds invested in an individual account for each employee.

Employees must contribute a minimum of 4% of salary to the defined contribution portion of the Tier 3 plan. Employers must contribute no less than 2%, but no more than 6% of salary for each employee with at least one year of service with that employer.

Tier 3 does not apply to employees participating in GARS or JRS, and only applies to State employees not participating in the federal social security program, with the exception of a small number of SURS employees which will participate in social security in addition to Tier 3.

Public Act 100-23 does not provide for immediate enactment of the Tier 3 plan, though it states that the respective Boards of Trustees of the Retirement Systems should implement the Tier 3 plan as soon as possible. Prior to implementation, each Retirement System must create and establish the Tier 3 plan, and such plan must be approved by the Internal Revenue Service. On and after the respective date of implementation for each Retirement System, all new participants in such Retirement System will be Tier Three Employees. Employees hired after the implementation of the combination Tier 3 plan will have the option to irrevocably elect to receive Tier 2 benefits. In addition, Tier Two Employees will be provided the opportunity to irrevocably elect to become Tier Three Employees under Public Act 100-23. The Retirement Systems do not expect that the Tier 3 plan will be implemented during Fiscal Year 2018.

TRS, SURS and SERS are currently analyzing the long-term impact that Tier 3 will have on their respective financial positions. The State makes no prediction as to the impact such reform will have on the Retirement Systems or the State's contributions to TRS, SURS and SERS going forward.

Shift of Certain Pension Costs to Local Employers. With respect to TRS and SURS, Public Act 100-23 provides that the individual school districts, universities and community colleges whose employees participate in such Retirement Systems will assume certain costs of benefits upon implementation of the Tier 3 plan. On and after the Tier 3 implementation, local employers will assume the normal costs and future unfunded liabilities for Tier Three Employees and Tier Two Employees who elect to become Tier Three Employees. Beginning in Fiscal Year 2021, such employers will also be responsible for paying to the applicable Retirement System 2% of the total payroll of each employee participating in Tier 3, as well as each employee participating in Tier 2 in lieu of Tier 3.

In addition, Public Act 100-23 requires individual school districts, universities and community colleges to assume the Normal Cost of benefits with respect to all employees whose salaries exceed the Governor's salary to the extent such employee's salary exceeds the Governor's salary.

Smoothing of State Contributions. Public Act 100-23 provides that, beginning in Fiscal Year 2018, the State's contributions to the Retirement Systems will be calculated such that any changes in the State's contributions to any Retirement System caused by a change in the actuarial assumptions employed by such Retirement System in preparing its Actuarial Valuation will be recognized equally over a five-year period ("Contribution Smoothing"). Furthermore, Public Act 100-23 provides that Contribution Smoothing will be retroactively applied to changes in actuarial assumptions which first applied to State contributions during Fiscal Years 2014 through 2017.

As a result of the adoption of Public Act 100-23, the Retirement Systems are required to re-certify the State's Fiscal Year 2018 contributions to the Retirement Systems. The re-certified contributions to the Retirement Systems for Fiscal Year 2018 will decline from $8,820 million to $7,911 million, a reduction of approximately $909 million. Such reduction in the State contribution is due primarily to the Contribution Smoothing and also to the shift to local school districts, universities and community colleges of the cost of benefits attributable to the portion of employee salaries in excess of the Governor's salary. Such reduction in contributions does not include any changes related to the implementation of the Tier 3 plans as the Tier 3 plans are not expected to be implemented during Fiscal Year 2018.

The reforms in Public Act 100-23 are expected to reduce the State's UAAL over time. The State's UAAL, as modified by the provisions of Public Act 100-23, has not yet been recalculated by the Retirement Systems and, as such, the State is unable to provide any information regarding revisions to the UAAL as a result of Public Act 100-23, if any, at this time.

FUTURE PENSION REFORM PROPOSALS

Various proposals for reform of the Pension Code provisions related to the Retirement Systems have been introduced and are pending in the Illinois General Assembly. The Governor advanced a pension reform proposal which is described in the Fiscal Year 2019 Budget Book. See APPENDIX F—WEBSITE INDEX for a link to the Fiscal Year 2019 Budget Book. The State can give no assurance as to whether any the remaining proposals, or any proposals to be introduced in the future, will be enacted into law and, if so enacted, the effect such proposals may have on the Retirement Systems or the State's future contributions to the Retirement Systems.

RECENT REPORTS REGARDING THE RETIREMENT SYSTEMS

State Actuary's Fiscal Year 2017 Report

By January 1 of each year, the State Actuary is required to issue a preliminary report providing a review of the actuarial assumptions used by the Retirement Systems in preparing their proposed certification of the amount necessary to pay the Required Annual Statutory Contribution. The position of State Actuary is within the Office of the Auditor General and responsible for reviewing actuarial practices, assumptions, and valuations of the actuaries of the Retirement Systems. The State Actuary's Fiscal Year 2017 report on the actuarial assumptions and valuations of the Retirement Systems is available on the State Auditor General's website. See APPENDIX F—WEBSITE INDEX. The assumptions contained in the 2017 Actuarial Valuation reports of the Retirement Systems were determined to be generally reasonable by the State Actuary, and the State Actuary did not recommend any changes to these assumptions. However, recommendations were made for additional disclosure to the 2017 Actuarial Valuations, for changes to the formula for funding the Retirement Systems set forth in the Pension Code to fully fund future plan benefit accruals, for the Retirement Systems set forth in the Pension Code to include stress tests in the Actuarial Valuations, for the conduct of periodic, independent, actuarial audits by SERS, JRS, and GARS, and for each of the Retirement Systems, with the exception of TRS, to review the manner in which such Retirement Systems phase-in changes in assumption as a result of Public Act 100-23 or demonstrate with additional disclosures that such methods currently used to phase-in such changes produces the result intended by Public Act 100-23. The Board of each Retirement System must consider all recommendations of the State Actuary; however, no assurance can be given that any recommendations will be adopted. The responses of each System to the recommendations of the State Actuary are contained in Appendix C of the aforementioned report.

Report of the Commission on Government Forecasting and Accountability

The Commission on Government Forecasting and Accountability ("COGFA") prepared a report dated March 2018, on the financial condition of the Retirement Systems as of June 30, 2017 (the "COGFA Report"). COGFA is a bipartisan and bi-cameral legislative commission whose purpose is to provide the General Assembly with information relevant to the State economy, taxes, and other sources of revenue and debt obligations of the State. Among COGFA's list of specific responsibilities is to make an annual estimate of public pension funding requirements and to prepare pension impact notes. Furthermore, COGFA has a mandate to report to the General Assembly on economic trends in relation to long-range planning and budgeting and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as the same may affect the State.

As a result of these responsibilities, COGFA issues several reports on an annual basis, including the COGFA Report, which provides an overview of the financial condition of the Retirement Systems.

The COGFA Report provides significant information on the funded status of the Retirement Systems, historical and projected information with respect to each of the Retirement Systems and an exhaustive history of pension legislation. COGFA does not make findings in the COGFA Report. The COGFA Report is available from COGFA's website listed in APPENDIX F—WEBSITE INDEX. The State makes no representations nor expresses any opinion on the COGFA Report.

SEC ORDER

The State was originally contacted in September 2010 by the Securities and Exchange Commission (the "SEC") regarding a non-public inquiry into communications by the State relating to the financial effects of PA 96-889 on Illinois public pensions, including communications relating to the potential savings or reductions in contributions by the State to the Illinois public pensions. The SEC inquiry ultimately turned to disclosures relating to the Statutory Funding Plan.

On March 11, 2013, the SEC instituted administrative proceedings and imposed a cease-and-desist order (the "Order"). The Order can be found on the Electronic Municipal Market Access website. See APPENDIX F—"WEBSITE INDEX" herein. In its Order, the SEC found that, between 2005 and March 2009, the State acted negligently and (i) misled bond investors by omitting to disclose information about the adequacy of the Statutory Funding Plan and the risks created by the State's structural underfunding of its pension obligations, (ii) misled bond investors about the effect of changes to the Statutory Funding Plan, including the State's failure to make the full pension contributions in 2006 and 2007 and (iii) omitted material information which rendered certain statements misleading to bond investors regarding the State's ability to fund its pension obligations or the impact of the State's pension obligations on the State's financial condition. In agreeing to the Order, the State did not admit or deny the SEC's findings in the Order. Under the terms of the Order, the State was not required to pay any civil fines or penalties, and the SEC noted that it considered the State's cooperation during the inquiry as well as the remedial measures instituted by the State to ensure compliance with its disclosure obligations under the federal securities laws, as described in the Order.

Prior to the SEC inquiry and in response to statements made by the SEC in an enforcement action against the State of New Jersey (SEC Rel. No. 9135, August 18, 2010), the State engaged outside counsel to assist the State in reviewing the enforcement action against New Jersey, to update certain of the information contained in this Appendix and to draft the disclosure policies and procedures set forth in the following subsection. The State has continued to engage Disclosure Counsel to assist the State in updating the information contained in this Appendix and to implement the disclosure policies and procedures set forth in the following subsection.

PENSION DISCLOSURE POLICIES AND PROCEDURES

The State has reviewed, evaluated, and enhanced its pension disclosure process by instituting formal, written policies and procedures. The State's written policies and procedures, among other things, established a committee within the GOMB consisting of GOMB employees (the "Disclosure Committee") to oversee the pension disclosure process. The GOMB Director of Capital Markets serves as chairperson of the Disclosure Committee, and the General Counsel of the GOMB serves as an ex-officio member. The Disclosure Committee has primary responsibility for drafting, editing and updating the State's pension disclosure. Prior to release of the pension disclosure in an official statement or at the time of an update as mandated in the policies and procedures, the pension disclosure is submitted to the Retirement Systems, COGFA, the Office of the Comptroller and the Office of the Attorney General for their review and comment.

In addition, the State has implemented an annual mandatory training program for the Disclosure Committee and the other GOMB employees involved in the disclosure process. The training is intended to ensure compliance with the State's disclosure obligations under the federal securities laws.

OTHER POST-EMPLOYMENT BENEFITS

PLAN DESCRIPTION

The State Employees Group Insurance Act of 1971 ("Group Insurance Act"), as amended, authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all State and State university component unit employees become eligible for these other postemployment benefits ("OPEB") if they become annuitants of one of the State sponsored pension plans. The Department of Central Management Services ("CMS") administers these benefits for annuitants with the assistance of the Retirement Systems. The portions of the Group Insurance Act related to OPEB established a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation for employees of the State's component unit universities.

FUNDING POLICY AND ANNUAL OPEB COST

The State contributes toward the cost of an annuitant's coverage under the basic program of group health, dental, and vision benefits an amount equal to five percent of that cost for each full year of creditable service up to a maximum of one hundred percent for an annuitant with twenty or more years of creditable service. The amount the State contributes is determined from negotiations with the collective bargaining units within the various Retirement Systems. Therefore, the benefits provided and contribution amounts are subject to periodic changes.

The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees. However, the appropriated amount has been insufficient in recent years resulting in a backlog of reimbursements to health care providers and retirees.

The State's Annual OPEB Cost is calculated pursuant to GASB Statement No. 45 ("GASB 45"). GASB 45 funding requirements differ significantly from the pay-as-you-go funding method used by the State to make contributions to the plan. Therefore, the actual contributions made by the State to the plan differ from the Actuarially Required Contribution and the Annual OPEB Cost. The State's Annual OPEB Cost for the prior year and related information is included in Tables E-16, E-17 and E-18.

TABLE E-16
NET OTHER POST EMPLOYMENT BENEFITS
OBLIGATION FISCAL YEAR 2017
($ IN MILLIONS)

Actuarially Required Contribution (Net of ARC adjustments)	$ 2,592
Plus: Interest on Net OPEB Obligations	533
Adjustment to ARC	(507)
Annual OPEB Cost	$ 2,617
Benefits paid during the year	(337)
Increase in Net OPEB Obligations	$ 2,281
Net OPEB Obligations at June 30, 2016	14,204
Net OPEB Obligations at June 30, 2017	$16,485

Source: The CAFR.

TABLE E-17
OTHER POST EMPLOYMENT BENEFITS – FISCAL YEARS 2013-2017
($ IN MILLIONS)

	2013	2014	2015	2016	2017
Annual Required Contribution[1]	$2,378	$2,344	$2,292	$2,415	$2,617
Benefits paid during the year	625	905	810	185	337
Increase in Net OPEB Obligations	1,753	1,439	1,482	2,230	2,280
Net OPEB Obligations Balance	9,053	10,492	11,975	14,204	16,485

Source: Illinois State Employment Group Insurance Program GASB No. 45 Actuarial Valuation Report and the CAFR.

1 The Annual Required Contribution numbers include interest on Net OPEB Obligations and adjustments to the Annual Required Contributions.

GASB Statement No. 45 requires the calculation of the OPEB Actuarial Accrued Liability ("AAL") which is the actuarial present value of future plan benefits earned as of the valuation date. The AAL was $38,138 million at the end of Fiscal Year 2016. The AAL has not been calculated for Fiscal Year 2017. The OPEB Actuarially Required Contribution ("ARC") is an amount that is actuarially determined in accordance with the requirements so that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded AAL over the amortization period of thirty years.

The State will adopt GASB Statement No. 75 ("GASB 75") beginning with the Fiscal Year ending June 30, 2018. GASB 75 reforms the manner in which OPEB is accounted for and presented in the financial statements of an employer, such as the State. The State expects that the adoption of GASB 75 will result in changes to the presentation of the State's OPEB liability, as set forth herein, and will also result in changes to the amount recognized by the State as a liability with respect to OPEB in the State's CAFR beginning with the Fiscal Year ending June 30, 2018.

TABLE E-18
OTHER POST EMPLOYMENT BENEFITS UNFUNDED
ACTUARIAL ACCRUED LIABILITY – FISCAL YEARS 2012-2016
($ IN MILLIONS)

	2012*	2013	2014	2015**	2016
Unfunded Actuarial Accrued Liability	$35,200	$34,488	$33,051	$34,766	$38,138

Source: Illinois State Employment Group Insurance Program GASB No. 45 Actuarial Valuation Report and the CAFR.

Note: The GASB No. 45 Actuarial Valuation Report is produced biennially, however, beginning in Fiscal Year 2015, the report is produced as of June 30 of the previous fiscal year.

* Estimation in the succeeding year's report.

** Estimation in the preceding year's report.

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APPENDIX F

WEBSITE INDEX

Organization or Department	Website Address	Description of Website
State of Illinois	http://www.illinois.gov/	Lead portal for all State information
Governor's Office of Management and Budget	http://www.illinois.gov/gov/budget/ https://www2.illinois.gov/sites/budget/Pages/PolicyReports.aspx	Lead portal for operating budgets, economic and fiscal reports and three year projections and quarterly reports
Fiscal Year 2019 Budget Book	https://www2.illinois.gov/sites/budget/Documents/Budget%20Book/FY%202019/Fiscal-Year-2019-Operating-Budget-Book.pdf	Link to the Governor's Budget Book
State of Illinois Capital Markets	http://www.illinois.gov/gov/budget/capitalmarkets/Pages/default.aspx	Lead portal to the State of Illinois Capital Markets
Illinois Administrative Code	http://www.ilga.gov/commission/jcar/admincode/080/08002200sections.html	Link to Illinois General Assembly's Administrative Code database - CMS State Employees Group Insurance Program Retiree Premium Contributions
Comptroller	http://www.illinoiscomptroller.gov/	Lead portal for all Comptroller based information
Comptroller (CAFR)	http://ledger.illinoiscomptroller.com/find-reports/comprehensive-reporting/comprehensive-annual-financial-report-cafr/	Link to CAFR Library
Comptroller, Traditional Budgetary Financial Report	http://ledger.illinoiscomptroller.com/find-reports/budgetary-reporting/traditional-budgetary-financial-report/	Link to the Traditional Budgetary Financial Report
General Assembly	http://www.ilga.gov/	Lead portal to the Illinois General Assembly
Auditor General	http://www.auditor.illinois.gov/	Lead portal to the Auditor General
College Illinois	http://www.isac.org/about-isac/financial-information.html	Link to the College Illinois actuarial report
Tax Handbook	http://www.ilga.gov/commission/lru/2018TaxHandbook.pdf	Legislative Research Unit handbook on all Illinois taxes
Illinois Department of Revenue	http://iltax.org/	Lead portal to the Department of Revenue
Retirement Systems:		
TRS	http://trsil.org/	Lead portal to Teachers' Retirement System
SURS	http://www.surs.org/	Lead portal to State Universities Retirement System
SERS	http://www.srs.illinois.gov/sers/home_sers.htm	Lead portal to State Employees' Retirement System
JRS	http://www.srs.illinois.gov/Judges/home_jrs.htm	Lead portal to Judges' Retirement System
GARS	http://www.srs.illinois.gov/gars/home_gars.htm	Lead portal to General Assembly Retirement System
Commission on Government Forecasting and Accountability	http://cgfa.ilga.gov/	Lead portal to COGFA, contains its report on the financial condition of the Retirement Systems
Illinois State Board of Investment	http://www.isbinvestment.com	Lead portal to the Illinois State Board of Investment
Illinois Department of Central Management Services	http://www.cms.illinois.gov/	Lead portal to the Illinois Department of Central Management Services
State Actuary Report	http://www.auditor.illinois.gov/Other-Public-Documents/State-Actuary-Reports.asp	Link to the Auditor General's State Actuary Reports
Electronic Municipal Market Access	http://emma.msrb.org/	Lead portal to MSRB's EMMA

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APPENDIX G

ACCOUNTING PRACTICES USED IN STATE FINANCIAL INFORMATION

MEASUREMENT BASES

Financial information reported by the State is prepared and reported under one of three measurement bases.

The **cash basis** of accounting recognizes revenues when cash funds are received and ordered into the State Treasury by the Comptroller during the fiscal year. Disbursements are recognized when vouchers have been approved and released for payment by the Comptroller, again during the fiscal year.

The **budget basis** of accounting recognizes revenues using the same approach and timing as the cash basis (with the exception of transfers in when the prior fiscal year had carried over transfers due to the General Funds). Expenditures are recognized when the legal liability is incurred and sufficient appropriation authority exists. Budget basis expenditures also include disbursements made during the two month "lapse period" (for most appropriations) starting July 1 of the subsequent fiscal year. However the liability must have been incurred during the prior fiscal year and sufficient remaining appropriation authority from that fiscal year must also exist.

The **GAAP (Generally Accepted Accounting Principles) basis** of accounting recognizes revenues that were earned during the fiscal year but are actually collected and deposited during the fiscal year plus the first 60 days of the subsequent fiscal year. GAAP basis expenditures are recognized when the legal liability is incurred during the fiscal year, regardless of whether remaining appropriation authority existed from that fiscal year and irrespective of the date when the disbursement is made. Of particular note, Medicaid and group health insurance spending represent the primary instances of expenditures where appropriation authority may have been exceeded but are nevertheless disbursed by statutory authorization (i.e., Section 25 Liabilities) that permits the State to pay such liabilities using available appropriation of the subsequent fiscal year.

DIFFERENCES BETWEEN ACCOUNTING PRACTICES IN TRADITIONAL BUDGETARY FINANCIAL REPORT AND CAFR

Key differences between the accounting practices used in the TBFR and GAAP utilized in preparing the fiscal year CAFR, include the following:

Revenue Recognition:

- The TBFR recognizes as revenues those amounts collected and deposited by June 30 of each fiscal year.
- The CAFR recognizes as revenues amounts earned but collected and deposited no later than 60 days after the end of the fiscal year.

Expenditure and Liability Recognition:

- The TBFR recognizes as expenditures and liabilities only those amounts that are appropriated for that fiscal year, incurred by June 30, and paid no later than December 31 following the end of the fiscal year.

- The CAFR recognizes all expenditures that are incurred and paid by June 30, or that are legal liabilities of that fiscal year, even if such amounts exceed the appropriations for that fiscal year.
- "Section 25 Liabilities" reflect a portion of the difference in TBFR versus CAFR expenditures when insufficient appropriations exist for incurred liabilities. Section 25 refers to statutory authorization that permits the Comptroller to pay such liabilities during the subsequent fiscal year, as shown in Table 5 in the Official Statement, "STATE FINANCIAL INFORMATION—ACCOUNTS PAYABLE–TABLE 5."

Statutory Transfers:

- The TBFR recognizes transfers in and transfers out on a modified accrual accounting basis wherein the transfer is recognized if statutorily required during a fiscal year even though the actual transfer may occur during the subsequent fiscal year. Under GAAP accounting, the CAFR only recognizes statutory transfers that have been made in cash during the fiscal year.

Pension Expenditures:

- The TBFR reflects statutorily required contributions. Amounts shown in Tables 3 and 4 represent only the General Funds portion (approximately 89% of the total required contribution) as certified by each of the five State pension systems net of the debt service on the Fiscal Year 2003 General Obligation Pension Funding Bonds pursuant to the authorizing statute, net of contributions from other State funds with payroll costs, and net of transfers from the State's Unclaimed Property Trust Fund.
- For additional differences between statutory funding requirements and GAAP and other important disclosures of the pension obligations of the State, see APPENDIX E—PENSION AND OTHER POST EMPLOYMENT BENEFITS.

Scope of General Funds:

- The TBFR and Tables 3 and 4 in the Official Statement, "STATE FINANCIAL INFORMATION—FINANCIAL RESULTS: FY 2013-FY 2017" and Table G-1 reflect the General Revenue Fund, the Common School Fund, the General Revenue-Common School Special Account Fund and the Education Assistance Fund.[2]
- The CAFR data in Table G-2 also includes the Budget Stabilization Fund, Medicaid Provider Assessment Program Funds, and certain other funds as more fully described in Note 1 therein. See also "TABLE G-2–*Note 1*–Cash/Budget to GAAP Perspective Differences" below.

Table G-1 effectively reflects an operating statement that explains the changes during Fiscal Year 2017 in both cash balance as well as fund balance, reflecting the cash basis and budget basis,

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2 Prior to Fiscal Year 2018, the State's General Funds included four funds – the General Revenue Fund, the Education Assistance Fund, the Common School Fund, and the General Revenue-Common School Special Account Fund. Public Act 100-23 amended the State Budget Law (15 ILCS 20/50-40) to add the Fund for the Advancement of Education and the Commitment to Human Services Fund (both of which receive a portion of State income tax receipts) and the Budget Stabilization Fund to the State definition of General Funds. Tables, including those in the TBFR, in this Official Statement for Fiscal Year 2017 and earlier reflect the original definition of General Funds, except where noted.

respectively. The left hand column, labeled "Available Balance Concept," reflects the cash basis results. That column details the change in Available Cash Balance at the beginning of the fiscal year, concluding with the Available Cash Balance at the end of the fiscal year. Total Revenues were detailed in Table 3, while Expenditures reflect cash disbursed during Fiscal Year 2017 which includes prior year lapse period expenditures (detailed in the middle column) as well as expenditures of Fiscal Year 2017.

The right hand column of Table G-1, labeled "Budgetary Balance Concept," reflects the budget basis results and change in budget basis fund balance during Fiscal Year 2017. Total budget basis revenues are the same as cash basis revenues for the fiscal year (with the exception of Transfers In when the prior fiscal year had carried over transfers due to the General Funds), both reflecting cash receipts during the fiscal year. Budget basis expenditures are disbursements for the Fiscal Year appropriations and statutory transfers. Total expenditures are detailed in Table 4.

Lapse period expenditures are listed in the middle column of Table G-1. Lapse period expenditures are in substance "accounts payable" and the end of column reflects the basic accounting equation of "cash less accounts payable equals budget basis fund balance." The lapse period amount (i.e., budget basis accounts payable) is subtracted from the ending cash balance resulting in a deficit or surplus.

TABLE G-1
GENERAL FUNDS SUMMARY OF TRANSACTIONS
FISCAL YEAR ENDED JUNE 30, 2017

Available Balance Concept			Budgetary Balance Concept
	Beginning Balances		
$ 246	**Available Cash Balance on June 30, 2016**		
	Less Lapse Period – Warrants Issued from Fiscal Year 2016 Appropriations and Fiscal Year 2016 Transfers Out:		
	Operations	$ 181	
	Awards and Grants	408	
	Permanent Improvements	1	
	Vouchers Payable (June 30)	2,881	
	Net Transfers Payable (June 30)	318	
	Total	$3,789	
	Fund Balance – Budgetary Basis to begin Fiscal Year 2017		**$ (3,543)**
	Plus Revenues		
	State Sources:		
	Cash Receipts:		
$14,065	Income Taxes		$14,065
8,043	Sales Taxes		8,043
3,272	Other Sources		3,272
1,542	Transfers In		1,753
26,922	Total, State Sources		$27,133
	Federal Sources:		
$ 2,451	Cash Receipts		$ 2,451
32	Transfers In		32
$ 2,483	Total, Federal Sources		$ 2,483
$29,405	**Total, Revenues**		**$29,616**
	Less Expenditures		
From FY 2017 Appropriations and Lapse Period Spending from FY 2016 Appropriations			From Fiscal Year 2017 Appropriations
$ 7,767	Operations		$ 8,402
20,915	Awards and Grants		21,014
6	Permanent Improvements		8
(4,057)	Vouchers Payable Adjustment		0
(3)	Prior Year Adjustments		(3)
$24,628	Total, Warrants Issued		$29,421
3,946	Transfers Out		4,636
$28,574	**Total, Expenditures**		**$34,057**
	Equals Ending Balances		
$ 1,077	**Available Cash Balance on June 30, 2017**		
	Less Lapse Period – Warrants Issued from Fiscal Year 2017 Appropriations and Fiscal Year 2017 Transfers Out:		
	Operations	$ 816	
	Awards and Grants	507	
	Permanent Improvements	2	
	Vouchers Payable (June 30)	6,939	
	Net Transfers Payable (June 30)	797	
	Total	$9,061	
	Fund Balance – Budgetary Basis to begin Fiscal Year 2018		**$ (7,984)**

Source: Traditional Budgetary Financial Report Fiscal Year 2017; unaudited.

Table G-2, which is presented below, is a General Funds Reconciliation among cash, budgetary and GAAP basis of accounting for Fiscal Year 2017.

TABLE G-2
STATE OF ILLINOIS
GENERAL FUNDS RECONCILIATION – FISCAL YEAR 2017
($ in thousands)

	Cash Basis	Adjustments for Budgetary Basis	Budgetary Basis	Adjustments for GAAP	GAAP Basis
Revenues:					
Income Taxes (net)	$14,054,094	-	$14,054,094	$ (1,229,660)	$ 12,824,434
Sales Taxes (net)	8,042,759	-	8,042,759	5,144	8,047,903
Public Utility Taxes (net)	884,212	-	884,212	96,755	980,967
Federal government (net)	2,450,998	-	2,450,998	8,780,441	11,231,439
Other (net)	2,387,672	-	2,387,672	3,716,043	6,103,715
Total revenues	$27,819,735	-	$27,819,735	$11,368,723	$ 39,188,458
Expenditures:					
Current:					
Health and Social Services	$ 367,200	$ 222,581	$ 589,781	$ 22,719,792	$ 23,309,573
Education	13,185,602	1,458,564	14,644,166	(834,878)	13,809,288
General Government	1,603,777	83,404	1,687,181	271,898	1,959,079
Employment and Economic Development	3,352	3,490	6,842	110,998	117,840
Transportation	-	-	-	554,591	554,591
Public Protection and Justice	526,883	148,270	675,153	1,976,875	2,652,028
Environment and Business Regulation	1	(1)	-	165,616	165,616
Debt Service:					
Principal	-	-	-	2,150	2,150
Interest	-	-	-	495	495
Capital Outlays	934	(507)	427	52,879	53,306
Total expenditures	$ 15,687,749	$ 1,915,801	$ 17,603,550	$ 25,020,416	$ 42,623,966
Excess of revenues over expenditures	$ 12,131,986	$ (1,915,801)	$ 10,216,185	$ (13,651,693)	$ (3,435,508)
Other sources (uses) of financial resources:					
Transfers-in	$ 8,253,676	$ 210,178	$ 8,463,854	$ (6,748,665)	$ 1,715,189
Transfers-out	(10,624,854)	(689,764)	(11,314,618)	8,013,530	(3,301,088)
Capital lease financing	-	-	-	1,123	1,123
Net other (uses) of financial resources	$ (2,371,178)	$ (479,586)	$ (2,850,764)	$ 1,265,988	$ (1,584,776)
Budgetary funds – non-budgeted accounts	$ (8,928,933)	$ (2,878,812)	$(11,807,745)	$ 11,807,745	$ -
Excess of revenues over expenditures and net other (uses) of financial resources	831,875	(5,274,199)	(4,442,324)	(577,960)	(5,020,284)
Fund balances (deficit), July 1, 2016	$ 245,530	$ (3,787,409)	$ (3,541,879)	$ (6,049,340)	$ (9,591,219)
Increase (decrease) for changes in inventories	-	-	-	(110)	(110)
Fund balances (deficit), June 30, 2017	$ 1,077,405	$ (9,061,608)	$ (7,984,203)	$ (6,627,410)	$(14,611,613)

Source: Illinois Office of the Comptroller

GENERAL FUNDS RECONCILIATION–TABLE G-2

Table G-2 reconciles the three measurement bases used by the State: cash basis, budget basis and GAAP basis. As described above, Tables 3 and 4 in the Official Statement, "STATE FINANCIAL INFORMATION–FINANCIAL RESULTS: FY 2013-FY2017—Tables 3 and 4" and Table G-1 above reflect underlying detail between the cash and budget bases. Table G-2 draws the revenues and expenditures from those tables and incorporates GAAP basis revenues and expenditures drawn from the Fiscal Year 2017 CAFR.

Two adjustment columns are also incorporated in Table G-2 that detail the amounts necessary to adjust revenues and expenditures from cash basis to budget basis and then from budget basis to GAAP basis amounts. Table G-2 also reports the excess of revenues over expenditures (i.e., operating surplus or deficit) for Fiscal Year 2017 for the three bases equaling $832 million surplus for cash basis, $4.432 billion deficit for budget basis and $5.020 billion deficit for GAAP basis. Similarly, ending cash basis fund balance surplus of $1.077 billion, budget basis fund balance deficit of $7.984 billion and GAAP basis fund balance deficit of $14.612 billion, are shown in the bottom line of Table G-2.

While Table G-2 only incorporates select GAAP basis data, the complete CAFR for Fiscal Year 2017, prepared in accordance with GAAP, has been filed on EMMA and is incorporated in this Official Statement by reference. Such report is also available upon request from the Comptroller at (217) 782-6000 or from the Comptroller's webpage. See APPENDIX F—WEBSITE INDEX. The CAFR for Fiscal Year 2017 was prepared by the Comptroller and examined and certified by the State Auditor General. For Fiscal Year 2017, the Auditor General has expressed an unqualified opinion on the CAFR.

When reviewing Table G-2, the following explanatory notes should be considered in connection with the review of the CAFR for Fiscal Year 2017 (all amounts are presented in thousands of dollars).

Note 1 – Cash-Budget to GAAP Perspective Difference

On the GAAP basis, the Medicaid Provider Assessment Program Funds, the Income Tax Refund Fund and various other funds 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.

During Fiscal Year 2017, the State operated without a complete budget resulting in significant payments pursuant to various court orders. These court-ordered payments have been reported on a cash and budgetary basis under the *"Budgetary Funds - Nonbudgeted Accounts"* line item versus the individual functional expenditure line items.

Note 2 – Cash to Budget Adjustments

The budgetary basis fund balance deficit of $7,984,203 equals the June 30, 2017 cash balance of $1,077,405 less cash lapse period expenditures and transfers-out of $9,061,608. Adjustments from the cash basis of accounting for Fiscal Year 2017 to the budgetary basis include adding Fiscal Year 2017 lapse period spending and subtracting Fiscal Year 2016 lapse period spending. Lapse period expenditures are payments between July 1 – August 31 for services received and for goods "encumbered" (ordered or contracted for) on or before June 30 and received no later than August 31 which are paid from Fiscal Year 2017 "lapsing accounts." Public Act 97-0691 extended the lapse period to December 31 for Fiscal Year 2013 and future fiscal years for medical assistance payments of the Department of Healthcare and Family Services. Lapse period transfers are statutory transfers approved on or prior to June 30, 2017 but not made until after June 30, 2017.

Note 3 – Budget to GAAP Adjustments

A 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, unavailable revenue and accounts payable at year-end. Accounts payable include liabilities which will be paid from future year appropriations (e.g., income tax refunds, Healthcare and Family Services 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.

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