

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 6, 2022**

**New Issue – Book-Entry Only**

**Ratings: See “Ratings” Herein**

*Subject to compliance by the State of Illinois (the “State”) with certain covenants, in the separate opinions of Chapman and Cutler LLP, Chicago, Illinois, and Sanchez Daniels & Hoffman LLP, Chicago, Illinois, as Co-Bond Counsel (“Co-Bond Counsel”), under present law, interest on the Bonds (as hereinafter defined) 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. Interest on the Bonds is not exempt from present State of Illinois income taxes. See “TAX MATTERS” herein for a more complete discussion.*



**\$1,817,990,000\***  
**STATE OF ILLINOIS**  
**General Obligation Bonds,**  
**\$925,000,000\* Series of June 2022A**  
**\$892,990,000\* Refunding Series of June 2022B**

**Dated: Date of Delivery**

**Due: As shown on the inside cover**

This Official Statement contains information relating to the State and the State’s general obligation bonds, to be issued as General Obligation Bonds, Series of June 2022, in two separate series: General Obligation Bonds, Series of June 2022A (the “June 2022A Bonds”), and General Obligation Bonds, Refunding Series of June 2022B (the “June 2022B Bonds” and, together with the June 2022A Bonds, 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. Principal of, premium, if any, and interest on the Bonds will be paid by the State Treasurer of the State, as bond registrar and paying agent. The Bonds will mature on the dates, in the principal amounts, bear interest at the rates per annum and have the yields, prices and CUSIP numbers as shown on the inside cover of this Official Statement. Interest on the Bonds will be payable on March 1 and September 1 of each year, commencing September 1, 2022.

The Bonds are subject to redemption prior to maturity as set forth herein. See “TERMS OF THE BONDS—REDEMPTION” 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 (the “Bond Act”). See “TERMS OF THE BONDS—SECURITY” herein. The June 2022A Bonds are issued to (i) fund accelerated pension benefit payments pursuant to Section 7.7 of the Bond Act, (ii) provide funds to finance capital projects under the State’s capital programs, and (iii) pay costs of issuance of the June 2022A Bonds. The June 2022B Bonds are issued to (i) refund outstanding general obligation bonds of the State and (ii) pay costs of issuance of the June 2022B Bonds. See “PLAN OF FINANCE” herein.

*The Bonds are offered when, as and if issued by the State and received by the Underwriters (as defined herein), subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Co-Bond Counsel, and certain other conditions. Chapman and Cutler LLP, Chicago, Illinois, is also acting as Disclosure Counsel to the State. Certain legal matters will be passed upon for the Underwriters by their counsel, ArentFox Schiff LLP, Chicago, Illinois. It is expected that beneficial interests in the Bonds will be available for delivery through the facilities of DTC on or about June \_\_, 2022.*

**Citigroup**

**Siebert Williams Shank & Co., LLC**

**Barclays**

**Cabrera Capital Markets LLC**

**Mesirow Financial, Inc.**

**UBS**

**Academy Securities**

**Estrada Hinojosa**

**Janney Montgomery Scott**

**Melvin Securities**

Dated: \_\_\_\_\_, 2022

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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

**\$925,000,000\* General Obligation Bonds, Series of June 2022A**

Due March 1	Principal Amount	Interest Rate	Yield	Price	CUSIP**
2023	\$37,000,000				
2024	37,000,000				
2025	37,000,000				
2026	37,000,000				
2027	37,000,000				
2028	37,000,000				
2029	37,000,000				
2030	37,000,000				
2031	37,000,000				
2032	37,000,000				
2033	37,000,000				
2034	37,000,000				
2035	37,000,000				
2036	37,000,000				
2037	37,000,000				
2038	37,000,000				
2039	37,000,000				
2040	37,000,000				
2041	37,000,000				
2042	37,000,000				

\_\_\_\_\_ % \$185,000,000\* Term Bond due March 1, 2047; Yield: \_\_\_\_\_; Price \_\_\_\_\_; CUSIP\*\* \_\_\_\_\_

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\* Preliminary, subject to change.

\*\* CUSIP data herein is provided by the CUSIP Global Services ("CGS"). CGS is managed on behalf of the American Bankers Association by FactSet Research Systems 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.

**\$892,990,000\* General Obligation Bonds, Refunding Series of June 2022B**

<b>Due March 1</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP**</b>
2023	\$ 53,640,000				
2024	43,045,000				
2025	168,410,000				
2026	168,585,000				
2027	43,715,000				
2028	43,695,000				
2029	43,770,000				
2030	43,965,000				
2031	44,175,000				
2032	44,185,000				
2033	44,405,000				
2034	44,420,000				
2035	44,445,000				
2036	44,625,000				
2037	17,910,000				

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\* Preliminary, subject to change.

\*\* CUSIP data herein is provided by CGS. CGS is managed on behalf of the American Bankers Association by FactSet Research Systems 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.

STATE OF ILLINOIS



**\$1,817,990,000\***  
**State of Illinois**  
**General Obligation Bonds,**  
**Series of June 2022**  
**\$925,000,000\* Series of June 2022A**  
**\$892,990,000\* Refunding Series of June 2022B**

**JB Pritzker**  
*Governor*

**Alexis Sturm**  
*Director of the Governor's Office of Management and Budget*

**Paul Chatalas**  
*Director of Capital Markets*

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\* Preliminary, subject to change.

## PREFACE

No dealer, broker, salesperson, or other person has been authorized by the State or the Underwriters 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 Underwriters 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 Underwriters 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 Underwriters.

**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.

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

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document, as the same may be supplemented or corrected by the State from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein and is "deemed final" by the State as of the date hereof (or of the date of any supplement or correction) except for the omission of certain information permitted to be omitted pursuant to such Rule.

### 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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**\$1,817,990,000\***  
**State of Illinois**  
**General Obligation Bonds,**  
**Series of June 2022**  
**\$925,000,000\* Series of June 2022A**  
**\$892,990,000\* Refunding Series of June 2022B**

**INTRODUCTION**

This Introduction contains only a brief summary of certain terms of the Bonds (as hereinafter defined) 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 of 1970 (the “Illinois Constitution”) and laws of the State of Illinois (the “State”) 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 and the State’s \$1,817,990,000\* General Obligation Bonds, Series of June 2022 issued in two separate series: \$925,000,000\* General Obligation Bonds, Series of June 2022A (the “June 2022A Bonds”), and \$892,990,000\* General Obligation Bonds, Refunding Series of June 2022B (the “June 2022B Bonds” and, together with the June 2022A Bonds, the “Bonds”).

The June 2022A Bonds are being issued to (i) fund accelerated pension benefit payments pursuant to Section 7.7 of the General Obligation Bond Act of the State (30 ILCS 330/1 *et seq.*), as amended (the “Bond Act”), (ii) finance capital expenditures authorized by the State’s previous capital programs and the Rebuild Illinois capital plan (“Rebuild Illinois”) and (iii) pay costs of issuance of the June 2022A Bonds. The June 2022B Bonds are being issued to (i) refund outstanding general obligation bonds of the State and (ii) pay costs of issuance of the June 2022B Bonds. The use of the proceeds of the Bonds is more completely described under “PLAN OF FINANCE” and “APPLICATION OF BOND PROCEEDS” herein.

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.

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 related to the Bonds described under “INVESTMENT CONSIDERATIONS RELATED TO THE BONDS” herein and the investment considerations related to the State set forth in Part V of APPENDIX A to this Official Statement.

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,”

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\* Preliminary, subject to change.

“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.

## **TERMS OF THE BONDS**

### **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 March 1 and September 1, beginning on September 1, 2022, 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 State Treasurer of the State (the “Treasurer”), as bond registrar and paying agent (the “Bond Registrar”), to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX D—GLOBAL BOOK-ENTRY SYSTEM.

### **SECURITY**

The Bonds are direct, general obligations of the State issued pursuant to Section 9 of Article IX of the Illinois Constitution and the fund accelerated pension benefit payments pursuant to the Bond Act (“GO Bonds”), 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 irrevocable until all GO Bonds issued under the Bond Act, including the Bonds, have been paid in full.

See “SECTION 1—GENERAL OBLIGATION INDEBTEDNESS—STATE FUNDING OF PAYMENTS FOR GO BONDS” in Part III of APPENDIX A—STATE OF ILLINOIS” herein.

### **REDEMPTION**

#### ***Optional Redemption***

The Bonds maturing on or after March 1, 20\_\_ , are subject to redemption prior to maturity, at the option of the State on any date on or after \_\_\_\_\_.

The Bonds are subject to such redemption in whole or in part, and if in part, from such maturities as shall be selected by the State, less than all of the 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 Bonds to be redeemed, plus accrued and unpaid interest on the Bonds to be redeemed to the redemption date.

***Mandatory Redemption***

The June 2022A Bonds maturing on March 1, 2047\* (the “Term Bonds”), are subject to mandatory sinking fund redemption in part and selected as described under “Redemption Procedure” below, on March 1 of the years and at a redemption price of par plus accrued interest to the date of redemption in the respective principal amounts shown for such years in the table below.

YEAR*	PRINCIPAL AMOUNT TO BE REDEEMED*
2043	\$37,000,000
2044	37,000,000
2045	37,000,000
2046	37,000,000
2047 (stated maturity)	37,000,000

The mandatory sinking fund payments are required to be made in each designated year prior to maturity of the Term Bonds in amounts sufficient to redeem the principal amount of such June 2022A Bonds shown for such years in the above table.

The State may provide for the purchase of all or a portion of the Term Bonds that are subject to mandatory redemption, from its lawfully available funds, on or prior to the 60th day preceding any date of mandatory redemption, at a price not in excess of the principal amount of the Term Bonds to be so purchased on such mandatory redemption date. Any Term Bond so purchased will be cancelled and credited against the mandatory sinking fund payments due on such mandatory redemption date.

Whenever any Term Bond is redeemed prior to maturity, the principal amount of such Term Bond so redeemed or cancelled shall be credited against the unsatisfied balance of future sinking fund installments and final maturity amount established with respect to such Term Bond in such order as shall be directed by the Governor of the State (the “Governor”) or by the Director (as defined herein).

***Redemption Procedure***

The Bonds will be redeemed only in the principal amount of \$5,000 and integral multiples thereof. While the 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 Bonds, partial redemptions with respect to the Bonds will be selected for redemption, in accordance with DTC procedures, by lot. See APPENDIX D—GLOBAL BOOK-ENTRY SYSTEM.

If the Bonds are not registered in book-entry-only form, any redemption of less than all of the Bonds of any maturity will be allocated among the registered owners of such Bonds as nearly as

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\* Preliminary, subject to change.

practicable in proportion to the principal amounts of the Bonds of such maturity owned by each registered owner, subject to the authorized denominations applicable to the Bonds. This will be calculated based on the formula: (principal amount of applicable maturity to be redeemed) x (principal amount of applicable maturity owned by owner) / (principal amount of applicable maturity outstanding). The particular Bonds to be redeemed will be determined by the State, using such method as it deems fair and appropriate.

Notice of any redemption of 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 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 Bond, or any defect therein as to any Bond, will not affect the validity of the proceedings for the redemption of any other 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 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 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 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 of the State shall provide for deposit with the Bond Registrar of an amount of money sufficient to pay the redemption price of all the Bonds or portions of 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 Bonds or portions of 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 Bonds or portions of Bonds shall cease to bear interest.

## **PLAN OF FINANCE**

### **FUNDING OF ACCELERATED PENSION BENEFIT PAYMENTS**

A portion of the proceeds of the Bonds will be used to make accelerated pension benefit payments to certain of the State's retirement systems in accordance with the provisions of the Illinois Pension Code (40 ILCS 5/1-101 *et seq.*), as amended (the "Pension Code"). Said amounts will be deposited directly into the State Pension Obligation Acceleration Bond Fund of the State (the "Pension Acceleration Fund"), and the Comptroller of the State and the Treasurer will use the amounts so deposited to make the accelerated pension benefit payments in accordance with the Pension Code. See APPENDIX B hereto for additional information.

### **FINANCING OF CAPITAL EXPENDITURES**

The proceeds of the June 2022A Bonds (aside from the portion thereof used to fund the costs of issuance of the June 2022A Bonds or to fund accelerated pension benefit payments) will be used

to finance capital expenditures authorized by the State's previous capital programs and the Rebuild Illinois capital plan. For additional information regarding the Rebuild Illinois capital plan, see Part II of APPENDIX A hereto.

The Bond Act authorizes the State to reallocate unspent proceeds of the June 2022A 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 June 2022A Bond proceeds for available uses from time to time, so long as such reallocations do not adversely affect the tax-exempt status of the June 2022A Bonds.

## **REFUNDING**

The proceeds of the June 2022B Bonds (aside from the portion of the proceeds thereof used to fund the costs of issuance of the June 2022B Bonds) will be used to refund all or a portion of certain maturities of outstanding GO Bonds. APPENDIX G sets forth the series designation, maturity date, interest rate, principal amount and CUSIP number for each maturity of GO Bonds to be refunded with proceeds of the June 2022B Bonds (collectively, the "Refunded Bonds"), as well as the dates on which such Refunded Bonds will be redeemed (together, the "Redemption Dates"). All of the Refunded Bonds will be redeemed at a redemption price of par plus accrued interest to the redemption date (the "Redemption Price").

In order to provide for the refunding of the Refunded Bonds, certain proceeds of the Bonds will be deposited into an escrow account (the "Escrow Account") created pursuant to an Escrow Agreement (the "Escrow Agreement"), between the State and The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent"). The amounts in the Escrow Account will be used to purchase United States Treasury Obligations (the "Government Securities"), the principal of which together with the interest to be earned thereon and a beginning cash deposit will be sufficient (i) to pay when due the interest on the Refunded Bonds to their Redemption Dates, and (ii) to redeem the Refunded Bonds on the Redemption Dates at the Redemption Price.

All moneys and Government Securities deposited for the payment of the Refunded Bonds, including interest thereon, are required to be applied solely and irrevocably to the payment of the Refunded Bonds. Neither the maturing principal of the Government Securities nor the interest to be earned thereon will serve as security or be available for the payment of the principal of, premium, if any, and interest on the Bonds.

The Escrow Agent will have no claim against or lien on such moneys and Government Securities for any fees or expenses incurred by the Escrow Agent under the Escrow Agreement.

As provided in the Bond Act, following the deposit of the Government Securities into the Escrow Account, the liability of the State upon the Refunded Bonds will continue, but the holders of the Refunded Bonds are entitled to payment only out of the moneys on deposit in the Escrow Account.

The accuracy of the mathematical computations regarding the adequacy of the maturing principal of and interest earnings on the Government Securities together with an initial cash deposit in the Escrow Account to pay the debt service on the Refunded Bonds will be verified by Robert Thomas CPA, LLC, Overland Park, Kansas. Such verification shall be based upon information supplied by the Underwriters.

**APPLICATION OF BOND PROCEEDS**

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

SOURCES:	JUNE 2022A BONDS	JUNE 2022B BONDS	TOTAL
Principal Amount Issued			
Original Issue Premium			
TOTAL SOURCES			
USES:			
Project Costs			
Deposit to Pension Acceleration Fund			
Deposit to Escrow Account to Pay Refunded Bonds			
Costs of Issuance*			
TOTAL USES			

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\* Includes Underwriters' Discount.

**INVESTMENT CONSIDERATIONS RELATED TO THE BONDS**

*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 and in Part V of APPENDIX A hereto 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 and in Part V of APPENDIX A 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.*

*The following investment considerations relate specifically to the Bonds and their terms. For investment considerations related to the State, see Part V of APPENDIX A.*

***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, modification 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 (as hereinafter defined) 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.

### ***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.

### ***Future Changes in Federal Tax Laws***

There are or may be introduced 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. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Bonds issued prior to enactment. Finally, 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 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.

### ***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.

## 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.

For information regarding litigation pending against the State unrelated to the Bonds, see Part IV of APPENDIX A hereto.

## RATINGS

Moody's has assigned a rating of "Baa1" (Stable 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+" (Stable Outlook) to the Bonds. See "INVESTMENT CONSIDERATIONS RELATED TO THE BONDS—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 may be subject to revision or withdrawal at any time, and the ratings and the Bonds should be evaluated independently.

The State will provide appropriate periodic credit information necessary for maintaining ratings on the Bonds to the rating agencies. Except as may be required by the Undertaking as defined below under the 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.

## UNDERWRITING

The Bonds are being purchased by an underwriting group (the "Underwriters") led by Citigroup Global Markets Inc. ("Citigroup") pursuant to, and subject to certain conditions set forth in, a Contract of Purchase by and among the Underwriters and the State (the "Contract of Purchase") at a purchase price of: (i) with respect to the June 2022A Bonds, \$\_\_\_\_\_ (being the principal amount of \$\_\_\_\_\_ plus net original issue [discount] [premium] of \$\_\_\_\_\_, less an Underwriters' discount of \$\_\_\_\_\_), and (ii) with respect to the June 2022B Bonds, \$\_\_\_\_\_ (being the principal amount of \$\_\_\_\_\_, plus net original issue [discount] [premium] of \$\_\_\_\_\_, less an Underwriters' discount of \$\_\_\_\_\_). The Contract of Purchase provides that the Underwriters will purchase all of the Bonds if any of the Bonds are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase. The Underwriters 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 cover of this Official Statement.



The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed and may in the future perform, various investment banking services for the State, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the State.

Citigroup, an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup will compensate Fidelity for its selling efforts.

UBS Financial Services Inc. (“UBS FSI”) has entered into a distribution and service agreement with its affiliate UBS Securities LLC (“UBS Securities”) for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to such agreement, UBS FSI would share a portion of its underwriting compensation with respect to the Bonds with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

Academy Securities, Inc. has entered into third-party distribution agreements with TD Ameritrade Inc., BNY Mellon Capital Markets LLC, Commonwealth Financial Network, R. Seelaus & Co., Intercoastal Capital Markets, Inc., The GMS Group LLC, InspereX LLC, Mountainside Securities LLC, World Equity Group, Inc., CINCaP Investment Group, Inc., and Essex Securities LLC for the retail distribution of certain municipal securities at the original issue prices. Pursuant to these third-party distribution agreements, Academy Securities may share a portion of its underwriting compensation with the respective dealers.

## **TAX MATTERS**

### **FEDERAL TAX TREATMENT**

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.

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.

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 under the Internal Revenue Code of 1986, as amended (the "Code"); and (d) the accretion of original issue discount in each year may result in certain 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 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.

#### **STATE TAX TREATMENT**

Interest on the Bonds is not exempt from present State income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Co-Bond Counsel expresses 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 Municipal Securities Rulemaking Board (the “MSRB”) pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The proposed form of the Undertaking is included as APPENDIX E—FORM OF CONTINUING DISCLOSURE UNDERTAKING to this Official Statement.

There have been no instances in the previous five years in which the State failed to comply, in all material respects, with any undertaking previously entered into by it pursuant to the Rule.

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 (renamed the Annual Comprehensive Financial Report beginning with the report for the Fiscal Year ended June 30, 2021) (the “Annual Report”) has not been available when the Annual Financial Information has been filed, consistent with the State’s undertakings, but has been filed within 30 days after its availability to the Governor’s Office of Management and Budget (“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 of the GOMB (the “Director”) authorizing the issuance of the Bonds, 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.

On May 14, 2012, the State adopted disclosure policies and procedures. Such policies and procedures were amended on March 15, 2019, to incorporate procedures related to the additional reportable events added by amendments to the Rule, which will be included in the Undertaking executed by the State in connection with the issuance of the Bonds.

## **CERTAIN LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the separate approving legal opinions of Chapman and Cutler LLP, Chicago, Illinois (“Chapman”), and Sanchez Daniels & Hoffman LLP, Chicago, Illinois (together, “Co-Bond Counsel”), 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 C—FORM OF APPROVING OPINION OF CO-BOND COUNSEL. 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 Underwriters and any person purchasing Bonds from the Underwriters), 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. Certain legal matters will be passed upon for the Underwriters by their counsel, ArentFox Schiff LLP, Chicago, Illinois.

### **AUDITED FINANCIAL STATEMENTS**

The State Auditor General has performed an audit of the basic financial statements that accompany each Annual Report 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 opinion appears at the beginning of the financial section of each Annual Report. For the Fiscal Year ended June 30, 2020, the Auditor General's opinion was qualified with respect to the opinion units related to business-type activities, the unemployment compensation trust fund and The Illinois State Toll Highway Authority, a discretely presented component unit, and were unmodified with respect to all other opinion units, including the opinion units related to the State's Governmental Activities and the General Fund. The State Auditor General has not been requested to update the information contained in the financial statements in the Fiscal Year 2020 Annual Report which has been filed with the MSRB pursuant to its Electronic Municipal Market Access (EMMA) system and is referred to in "PART II—STATE FINANCIAL INFORMATION" in APPENDIX A—STATE OF ILLINOIS.

A portion of the Traditional Budgetary Financial Report (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 Comptroller Act (15 ILCS 405/1 *et seq.*) (the "State Comptroller Act"). Tables II-1, II-4, II-5 and II-7, which appear in Part II of APPENDIX A hereto, are not part of the financial statements in the TBFR that were the subject of such audit.

### **MUNICIPAL ADVISORS**

PFM Financial Advisors LLC and Sycamore Advisors LLC are serving as Municipal Advisors (the "Advisors") to the State in connection with the issuance of the Bonds. The Advisors are independent advisory firms and are not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Under the terms of their engagements, the Advisors are not obligated to undertake, and have not undertaken, an independent verification of, nor have assumed responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement. The fees of the Advisors for services rendered with respect to the sale of the Bonds are 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 on behalf of the State.

**STATE OF ILLINOIS**

By:

\_\_\_\_\_  
Director, Governor's Office of Management  
and Budget

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**APPENDIX A**

**THE STATE OF ILLINOIS**

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**INTRODUCTION TO APPENDIX A  
TO THE  
OFFICIAL STATEMENT OF THE STATE OF ILLINOIS**

This Appendix A provides information regarding the State of Illinois (the “State” or “Illinois”). All statements contained in this Appendix A are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Illinois Constitution of 1970 (the “Illinois Constitution”) and laws of the State 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.

This Appendix is divided into five parts as described in this introduction. Part I provides a general overview of the State, describes the organization of the State and provides certain economic information regarding the State. Part II describes the State’s budgetary process and provides information regarding the State’s recent financial history, including information regarding the State’s current budget and year-to-date performance. Part III describes the State’s outstanding indebtedness, including both general obligation indebtedness and revenue indebtedness. Part IV describes certain litigation against the State and the State’s collective bargaining agreements. Part V describes certain investment considerations related to the State. For information regarding investment considerations related to the Bonds, see “INVESTMENT CONSIDERATIONS RELATED TO THE BONDS” in the body of this Official Statement. For information regarding the State’s Retirement Systems (as hereinafter defined), see APPENDIX B to this Official Statement.

**PART I**  
**OVERVIEW OF THE STATE OF ILLINOIS**

**GENERAL**

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 and to legislation enacted by the Illinois General Assembly (the "General Assembly") and signed into law by the Governor, limited only by federal law and the State's jurisdiction.

Illinois is a state with a broad, deep and diversified economic base. 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" (consisting of the State and the States of Indiana, Michigan, Ohio and Wisconsin). The State has a broad employment base and diverse workforce composition that mirrors the United States as a whole. The State is home to 38 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 and logistics hub, with several interstate highways located in the State and with major trucking routes intersecting in the State. The State is also the only state in which all seven Class 1 transcontinental railroads operate. According to the Federal Aviation Administration (the "FAA"), as of November 8, 2021, Chicago O'Hare International Airport was the nation's fourth busiest airport, maintaining direct flights to national and worldwide destinations, making it a key passenger and freight handling facility. In addition, Chicago Midway International Airport is the nation's 25<sup>th</sup> busiest airport based on such FAA data.

The State's fiscal years end on June 30 of each calendar year (each a "Fiscal Year"). References to each Fiscal Year herein are denoted by the year in which such Fiscal Year ends.

**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 Comptroller and the Treasurer.

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 JB Pritzker, Lieutenant Governor Juliana Stratton, Attorney General Kwame Raoul, Secretary of State Jesse White, Comptroller Susana Mendoza and Treasurer Michael W. Frerichs. An election for these offices will be held at the general election on November 8, 2022.

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 Deposit of State Moneys Act (15 ILCS 520/0.01 *et seq.*) (the "Deposit Act") and the Public Funds Investment Act (30 ILCS 235/0.01 *et seq.*).

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 appropriation bills. Pursuant to Illinois law, the election of one-third of the members of the Senate and all members of the House of Representatives was held on November 3, 2020. 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. An election for all members of the Senate and the House of Representatives will be held at the general election on November 8, 2022. Auditor General, Frank J. Mautino, is a constitutional officer of the Legislative Branch, was 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 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 3, 2020, and judicial elections and judicial retentions will be on the ballot at the general election on November 8, 2022.

The Governor's Office of Management and Budget ("GOMB") is responsible for, among other things, (i) assisting the Governor in developing the State's annual operating and capital budgets, (ii) advising the Governor regarding the availability of revenues and the allocation of those resources to agency programs, (iii) managing the State's capital programs and (iv) recommending the issuance of the State's general obligation bonds ("GO Bonds") and the State's dedicated State tax revenue bonds, titled "Build Illinois Bonds." In addition, 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.

GOMB is organized under the Governor's Office of Management and Budget Act (20 ILCS 3005/0.01 *et seq.*) (the "GOMB Act") and is headed by a Director (the "Director") appointed by the Governor.

## **ECONOMIC DATA RELATED TO THE STATE**

*Overview of Illinois Economy.* Illinois is a state of diversified economic strength. Based on 2020 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 World Bank, the Illinois economy is the 18th largest in the world. Measured by per capita personal income, Illinois ranks third among the ten most populous states and twelfth among all states. The State's population is more educated than the populations of its regional peers and the United States as a whole, with 35.5% of State residents holding college degrees compared to 29.2% of Midwest residents and 32.9% of the population of the United States (numbers reflect educational attainment among residents ages 25 and older). Chicago serves as the transportation center of the Midwest and the headquarters of many of the nation's major corporations and financial institutions.

The State's gross domestic product ("GDP") was approximately \$973.5 billion in the fourth quarter of calendar year 2021. This represents an increase of 9.9% from the State's GDP in January 2020.

*Employment Information.* Table I-1 shows the distribution of Illinois non-agricultural employment by industry sector.

**TABLE I-1  
NON-AGRICULTURAL PAYROLL JOBS BY INDUSTRY  
CALENDAR YEAR 2021  
(Thousands)**

<b>Industry Employment Sector</b>	<b>Illinois</b>	<b>% of Total</b>	<b>U.S.</b>	<b>% of Total</b>
Financial Activities	407	7.0%	8,777	6.0%
Manufacturing	554	9.5%	12,346	8.4%
Trade, Transportation and Utilities	1,183	20.3%	27,707	19.0%
Leisure and Hospitality	503	8.7%	14,101	9.6%
Education and Health Services	906	15.6%	23,673	16.2%
Mining, Logging, Information and Other Services	334	5.7%	8,853	6.1%
Government	780	13.4%	22,005	15.1%
Professional and Business Services	925	15.9%	21,250	14.5%
Construction	222	3.8%	7,413	5.1%
<b>Total</b>	<b>5,813</b>	<b>100.0%</b>	<b>146,125</b>	<b>100.0%</b>

Source: Bureau of Labor Statistics, retrieved March 14, 2022. Neither State nor national data have been seasonally adjusted. Values may not add due to rounding.

*Agricultural Exports.* Illinois ranks prominently among states for agricultural activity and exports. Table I-2 summarizes key agricultural production statistics including rank among all states in 2020.

**TABLE I-2  
AGRICULTURAL EXPORTS  
CALENDAR YEAR 2020  
(\$ in Millions)**

<b>Agricultural Exports</b>	<b>U.S. Total</b>	<b>Illinois Share</b>	<b>% of U.S.</b>	<b>Rank</b>
All Commodities	\$144,749	\$8,810	6.1%	3
Soybeans	25,522	3,624	14.2%	1
Feeds	9,499	1,152	12.1%	2
Corn	9,213	1,338	14.5%	2
Grain Products	4,018	415	10.3%	2

Source: U.S. Department of Agriculture, Economic Research Service. Calendar year 2020 is the most recent calendar year for which information is available, which data was most recently revised as of November 4, 2021.



*Per Capita Income.* Per capita income in the State is greater than the average in both the United States and the Great Lakes Region. Table I-3 presents per capita income comparisons.

**TABLE I-3  
PER CAPITA PERSONAL INCOME  
CALENDAR YEARS 2017-2021**

	2017	2018	2019	2020	2021	2021 Rank
Illinois	\$54,252	\$57,145	\$58,764	\$62,930	\$67,095	<b>12</b>
United States	54,606	56,490	59,510	59,510	63,444	--
<b>Ten Most Populous States:</b>						
New York	65,814	68,657	71,717	74,472	76,415	1
California	60,549	63,720	66,619	70,192	76,386	2
<b>Illinois</b>	54,252	57,145	58,764	62,930	67,095	<b>3</b>
Pennsylvania	53,306	56,032	58,032	61,700	64,054	4
Florida	48,504	50,964	52,426	55,129	60,761	5
Texas	48,394	51,136	52,813	55,675	59,674	6
Ohio	46,829	48,747	50,199	53,641	56,483	7
Michigan	45,948	47,777	49,228	53,259	55,551	8
Georgia	44,894	46,957	48,236	51,780	55,289	9
North Carolina	44,409	46,216	47,766	50,305	55,043	10
<b>Great Lakes Region:</b>						
<b>Illinois</b>	54,252	57,145	58,764	62,930	67,095	<b>1</b>
Wisconsin	49,264	51,628	53,227	55,593	58,564	2
Ohio	46,829	48,747	50,199	53,641	56,483	3
Michigan	45,948	47,777	49,228	53,259	56,153	4
Indiana	45,244	47,321	48,678	51,926	55,551	5

Source: U.S. Department of Commerce, Bureau of Economic Analysis. As of March 31, 2022.

*Information Regarding Unemployment.* Table I-4 shows unemployment rate comparisons for the United States, the State and its metropolitan areas.

**TABLE I-4**  
**UNEMPLOYMENT RATE (%)**  
**CALENDAR YEARS 2016-2021**

	2016	2017	2018	2019	2020	2021
United States	4.9	4.4	3.9	3.7	8.1	5.4
Illinois	5.9	4.9	4.4	4.0	9.2	6.1
Bloomington-Normal MSA	5.1	4.2	4.2	3.6	6.9	4.6
Carbondale-Marion MSA	5.8	4.8	4.8	3.9	8.4	5.5
Champaign-Urbana MSA	5.0	4.3	4.3	3.6	6.6	4.8
Chicago-Naperville-Elgin MSA	5.8	4.9	4.1	3.9	9.5	6.2
Danville MSA	7.3	6.5	6.1	4.9	9.0	6.5
Davenport-Moline-Rock Island MSA	5.4	4.4	4.1	4.0	7.9	5.4
Decatur MSA	6.6	5.5	5.5	5.0	10.0	7.7
Kankakee MSA	6.5	5.5	5.5	4.8	9.0	6.5
Peoria MSA	6.6	5.5	5.1	4.5	9.1	5.9
Rockford MSA	6.6	6.5	5.7	5.4	11.5	8.4
Springfield MSA	5.0	4.4	4.4	3.9	8.3	5.5

Source: U.S. Department of Labor, Bureau of Labor Statistics, data as of May 2, 2022.

Note: All figures are not seasonally adjusted. Figures represent the annual average unemployment rate for each month of the calendar year.

The increase in unemployment rates in calendar year 2020 was due primarily to the economic effects of the Novel Coronavirus 2019 (“COVID-19”) pandemic. The State’s unemployment rate increased from 3.7% pre-pandemic to 17.4% in April 2020. The unemployment rate has generally declined since that time. The State’s March 2022 non-seasonally adjusted and seasonally adjusted unemployment rates were each 4.7%. IHS Markit (“IHS”), which provides economic forecasts to the State which are incorporated into the Economic and Fiscal Policy Report (as hereinafter defined), projects that hiring in the State will increase slightly during calendar year 2022 and will return to pre-pandemic levels by 2023. See “IMPACT OF COVID-19” in Part V—“INVESTMENT CONSIDERATIONS RELATED TO THE STATE” herein.

*Population.* Illinois is the nation’s sixth most populous state. Table I-5 provides information on the State’s overall population and the population of the large population centers throughout the State. Table I-6 provides population information for the State displayed by age group.

**TABLE I-5  
POPULATION  
ILLINOIS AND SELECTED METROPOLITAN STATISTICAL AREAS  
BY CENSUS YEARS**

	<b>1990</b>	<b>2000</b>	<b>2010</b>	<b>2020</b>
Illinois	11,430,602	12,419,293	12,830,632	12,812,508
Chicago CMSA (IL Part)	7,410,858	8,273,268	8,586,609	8,730,688
St. Louis MSA (IL Part)	656,987	671,595	703,664	682,761
Rockford MSA	283,719	320,204	349,431	338,798
Peoria MSA	358,552	366,899	379,186	402,391
Springfield MSA	189,550	201,437	210,170	208,640
Champaign-Urbana MSA	202,848	210,275	231,891	222,538

Source: U.S. Bureau of the Census, Population Division. Data presented in this table is the most recent available.

**TABLE I-6  
ILLINOIS POPULATION BY AGE GROUP  
BY CALENDAR YEAR**

	<b>2019</b>	<b>% of Total Population</b>
Under 18 years	2,817,875	22.2%
18 to 24 years	1,157,411	9.1%
25 to 44 years	3,395,231	26.8%
45 to 64 years	3,258,072	25.7%
65 years and over	2,043,232	16.1%
<b>Total</b>	<b>12,671,821</b>	<b>100.0%</b>

Source: U.S. Bureau of the Census. Data presented in this table is the most recent available.

*Fortune 500 Companies in the State.* In 2021, 38 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: 53; California: 53; Texas: 49; and Illinois: 38.

**TABLE I-7  
ILLINOIS-BASED COMPANIES INCLUDED IN THE FORTUNE 500**

Rank		Company	Revenues (millions USD)	Assets (millions USD)	Profits (millions USD)	Industry Category	Location	Number of Employees
2021	2020							
16	19	Walgreens Boots Alliance	\$139,537	\$ 87,174	\$ 456	Food and Drug Stores	Deerfield	277,000
39	36	State Farm Insurance Cos.	78,898	299,105	3,739	Insurance: Property and Casualty (Mutual)	Bloomington	57,582
51	54	Archer Daniels Midland	64,355	49,719	1,772	Food Production	Chicago	38,332
54	40	Boeing <sup>(1)</sup>	58,158	152,136	(11,873)	Aerospace & Defense	Chicago	141,000
68	99	AbbVie	45,804	150,565	4,616	Pharmaceuticals	North Chicago	47,000
70	72	Allstate	44,791	125,987	5,576	Insurance: Property and Casualty (Stock)	Northbrook	42,010
78	62	Caterpillar	41,748	78,324	2,998	Construction and Farm Machinery	Deerfield	97,300
88	84	Deere	35,540	75,091	2,751	Construction and Farm Machinery	Moline	69,634
89	104	Abbott Laboratories	34,608	72,548	4,495	Medical Products and Equipment	Abbott Park	109,000
92	95	Exelon	33,039	129,317	1,963	Utilities: Gas and Electric	Chicago	32,340
108	117	Mondelez International	26,581	67,810	3,555	Food Consumer Products	Chicago	79,000
110	122	Kraft Heinz	26,185	99,830	356	Food Consumer Products	Chicago	38,000
128	116	US Foods	22,885	12,423	(226)	Wholesalers: Food and Grocery	Rosemont	26,000
157	156	McDonald's	19,208	52,627	4,731	Food Services	Chicago	200,000
161	178	CDW	18,468	9,345	789	Information Technology Services	Lincolnshire	10,000
186	179	Jones Lang LaSalle	16,590	14,317	403	Real Estate	Chicago	90,800
199	185	Tenneco	15,379	11,852	(1,521)	Motor Vehicles & Parts	Lake Forest	73,000
200	76	United Airlines Holdings	15,355	59,548	(7,069)	Airlines	Chicago	74,400
233	231	Discover Financial Services	12,953	112,889	1,141	Commercial Banks	Riverwoods	17,600
240	229	Illinois Tool Works	12,574	15,612	2,109	Industrial Machinery	Glenview	43,000
258	278	W.W. Grainger	11,797	6,295	695	Wholesalers: Diversified	Lake Forest	22,450
264	282	Baxter International	11,673	20,019	1,102	Medical Products and Equipment	Deerfield	50,000
266	257	LKQ	11,629	12,361	638	Wholesalers: Diversified	Chicago	44,000
283	334	Conagra Brands	11,054	22,304	840	Food Consumer Products	Chicago	16,500
314	298	Molson Coors Beverage	9,654	27,331	(949)	Beverages	Chicago	17,000
362	339	Univar Solutions	8,265	6,355	53	Wholesalers: Diversified	Downers Grove	9,457
389	284	Navistar International	7,503	6,637	(347)	Construction and Farm Machinery	Lisle	12,100
395	403	Motorola Solutions	7,414	10,876	949	Network and Other Communications Equipment	Chicago	18,000
401	427	Old Republic International	7,166	22,815	559	Insurance: Property and Casualty (Stock)	Chicago	9,000
416	429	Arthur J. Gallagher	7,004	22,331	819	Diversified Financials	Rolling Meadows	32,401
429	433	Dover	6,684	9,152	684	Industrial Machinery	Downers Grove	23,000
433	437	Packaging Corp. of America	6,658	7,433	461	Packaging, Containers	Lake Forest	15,200
443	440	Northern Trust	6,301	170,004	1,209	Commercial Banks	Chicago	20,900
451	418	Ulta Beauty	6,152	5,090	176	Specialty Retailers: Other	Bolingbrook	26,500
456	494	Fortune Brands Home & Security	6,090	7,359	553	Home Equipment, Furnishing	Deerfield	27,505
463	475	Ingredion	5,987	6,858	348	Food Production	Westchester	12,000
496	555	Camping World Holdings	5,447	3,256	122	Automotive Retailing, Services	Lincolnshire	11,427
499	471	R.R. Donnelley & Sons	5,399	3,131	99	Publishing, Printing	Chicago	33,000

Source: Fortune Magazine.

(1) On May 5, 2022, Boeing indicated its intention to move its headquarters to Virginia. No details of the timing are available. Boeing stated it will maintain a significant presence at its Chicago location and surrounding region.

**PART II**  
**STATE FINANCIAL INFORMATION**

**SECTION 1**  
**BASIC INFORMATION REGARDING STATE FINANCES**

**THE GENERAL FUNDS**

The General Funds are the State’s primary operating funds (the “General Funds”). The General Funds account for many resources of the general government, except for those accounted for in another fund of the State. Accordingly, a large portion of the State’s tax revenues and program support expenses flow through the General Funds.

For budgetary purposes, the General Funds consist of the General Revenue Fund, the Education Assistance Fund, the Common School Fund, the General Revenue-Common School Special Account Fund, the Fund for the Advancement of Education, the Commitment to Human Services Fund and the Budget Stabilization Fund. Prior to Fiscal Year 2018, the General Funds included only the General Revenue Fund, the Education Assistance Fund, the Common School Fund, and General Revenue-Common School Special Account Fund. Tables and budget discussion in this Official Statement for Fiscal Year 2017 and earlier reflect the original definition of General Funds, except where noted.

Table II-1 provides historical information regarding receipts, appropriations and warrants issued during the last ten years for the General Funds and the other governmental funds of the State.

**TABLE II-1**  
**10 YEAR HISTORY OF RECEIPTS, APPROPRIATIONS AND WARRANTS**  
**(\$ in millions)**  
**June 30 Fiscal Year End**

Fund Group	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
<b>CASH RECEIPTS</b>										
General Funds .....	\$31,886	\$34,332	\$34,580	\$32,872	\$28,752	\$27,831	\$36,240	\$37,091	\$36,803	\$ 42,881
Highway Funds .....	4,256	4,094	4,225	4,538	4,410	4,452	4,062	4,136	5,606	6,505
Special State Funds .....	16,961	19,334	21,574	24,701	23,157	24,233	33,956	29,198	30,830	38,763
Bond Financed Funds .....	2,145	2,038	4,227	0	1,084	1,133	1,302	559	1,597	2,034
Debt Service Funds .....	2,595	734	835	798	835	2,304	960	2,182	1,215	1,679
Federal Trust Funds .....	5,274	4,970	5,148	4,856	4,846	4,825	4,581	4,700	4,855	7,440
Revolving Funds .....	627	539	618	534	335	617	409	559	252	509
State Trust Funds .....	4,335	4,535	4,593	2,614	1,741	1,951	5,037	4,887	5,307	2,626
<b>TOTAL, CASH RECEIPTS .....</b>	<b>\$68,079</b>	<b>\$70,576</b>	<b>\$75,800</b>	<b>\$70,913</b>	<b>\$65,160</b>	<b>\$67,346</b>	<b>\$86,547</b>	<b>\$83,312</b>	<b>\$86,465</b>	<b>\$102,437</b>
<b>APPROPRIATIONS</b>										
General Funds .....	\$29,584	\$30,848	\$32,146	\$31,799	\$28,536	\$31,783	\$36,179	\$37,234	\$39,113	\$ 40,695
Highway Funds .....	8,888	8,284	8,387	8,093	8,070	7,954	8,507	8,999	16,965	17,590
Special State Funds .....	23,925	28,679	31,649	33,710	33,550	39,982	36,166	36,216	41,114	47,785
Bond Financed Funds .....	15,372	13,948	11,387	9,882	4,346	4,955	4,534	7,559	28,130	29,584
Debt Service Funds .....	5,371	3,545	3,600	4,285	3,536	5,237	3,960	5,850	3,626	6,301
Federal Trust Funds .....	9,479	8,026	8,160	8,058	8,288	8,752	8,282	8,401	12,239	26,545
Revolving Funds .....	946	981	953	905	927	1,468	938	1,217	1,227	1,231
State Trust Funds .....	750	857	931	638	604	625	605	676	688	1,315
<b>TOTAL, APPROPRIATIONS .....</b>	<b>\$94,315</b>	<b>\$95,168</b>	<b>\$97,213</b>	<b>\$97,370</b>	<b>\$87,857</b>	<b>\$100,756</b>	<b>\$99,171</b>	<b>\$106,152</b>	<b>\$143,102</b>	<b>\$171,046</b>
<b>WARRANTS ISSUED</b>										
General Funds .....	\$29,209	\$30,293	\$31,479	\$30,763	\$26,750	\$29,421	\$35,381	\$36,361	\$37,363	\$ 39,327
Highway Funds .....	3,836	3,598	3,626	3,728	4,039	3,748	3,813	3,707	4,532	4,905
Special State Funds .....	17,808	21,079	22,512	25,285	22,356	28,298	29,366	27,276	30,859	35,556
Bond Financed Funds .....	2,134	2,655	2,394	2,226	777	1,352	531	574	1,319	1,940
Debt Service Funds .....	5,187	3,330	3,589	4,050	3,536	5,212	3,960	5,760	3,622	6,266
Federal Trust Funds .....	5,090	4,969	5,061	4,781	4,906	4,787	4,597	4,721	5,117	9,881
Revolving Funds .....	685	716	704	681	546	733	699	705	818	963
State Trust Funds .....	3,924	4,173	4,298	2,257	1,248	1,184	5,181	4,389	2,032	2,140
<b>TOTAL, WARRANTS ISSUED .....</b>	<b>\$67,873</b>	<b>\$70,813</b>	<b>\$73,663</b>	<b>\$73,771</b>	<b>\$64,158</b>	<b>\$74,735</b>	<b>\$83,528</b>	<b>\$83,493</b>	<b>\$85,662</b>	<b>\$100,978</b>

Source: Illinois Office of the Comptroller; Traditional Budgetary Financial Report, Fiscal Year 2021.

**THE ILLINOIS BUDGET**

Article VIII, Section 2(a) of the Illinois Constitution requires the Governor to prepare and submit to the General Assembly, at a time prescribed by law (generally in February of each year), a State budget for the ensuing Fiscal Year. The proposed budget includes recommended spending levels for state agencies, estimated funds available from tax collections and other sources, and state debt and liabilities. GOMB is responsible for estimating revenues and developing budget recommendations that reflect the Governor's programmatic and spending priorities. The Commission on Government Forecasting and Accountability ("COGFA"), by statute, is responsible for estimating revenues for the legislative branch of government. Pursuant to Article VIII, Section 2(a) of the Illinois Constitution, the budgets introduced by the Governor for each Fiscal Year must contain estimated revenues and proposed expenditures for the upcoming Fiscal Year that are balanced. Article VIII, Section 2(b) 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.

The budget process begins with the various agencies identifying and estimating the cost of potential spending pressures for the next Fiscal Year, including maintaining or annualizing current program levels, expanding services for existing programs and initiating new programs. During November and December, GOMB conducts a detailed financial and programmatic review of agency budgets. Funding requests typically exceed available resources. GOMB works closely with agencies and the Governor's senior staff to manage budgetary pressures while funding core priorities of the agencies. Once budget options are developed, they are presented to the Governor for his final decisions. Narrative statements explaining the budget and complete budget request forms are printed in the "budget book," which is the term used to describe the Governor's compiled budget presentation.

Concurrent with the operations and grants budgeting process, agencies develop a capital budget. The Capital Development Board ("CDB") conducts a technical review and prepares cost estimates for state facility projects for which it will be responsible. Other types of capital projects such as highway construction, mass transit and airport facilities, alternative energy or school facilities are reviewed by other State agencies. Once reviewed, projects are ranked by category considering need, availability of resources and the Governor's priorities regarding repair and maintenance projects versus new construction.

The Governor presents his recommended budget to a joint session of the General Assembly. By law, the Governor must present his budget to the General Assembly no later than the third Wednesday in February of each year (during Fiscal Year 2022, no later than February 2nd).

Legislative review of the Governor's budget recommendations begins with hearings before House and Senate appropriations committees. Appropriations committees may adopt amendments to change the funding level recommended by the Governor. Once adopted by the first committee, the appropriation bill moves to the full House or Senate for debate, any amendment and a vote. When an appropriation bill passes in one chamber, the bill moves to the second chamber, where a similar process takes place. Changes made in either chamber must ultimately be accepted by both the House and the Senate for the bill to pass and be presented to the Governor.

Final approval of the budget usually does not occur until the end of the legislative session. Appropriation bills require an effective date on or before the start of the Fiscal Year in order to be available for expenditure at the beginning of the Fiscal Year, July 1. The Illinois Constitution requires a simple majority vote of the General Assembly for a bill passed on or before May 31 to take effect immediately. On or after June 1, a three-fifths vote of the General Assembly is required in order for a bill to take immediate effect.

Once the General Assembly passes the budget, the Governor must sign the appropriation bills before funds can be spent. Article IV, Section 9(d) 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. Line items that have been vetoed or reduced must be reconsidered by the General Assembly. The General Assembly may return an item to the enacted level by majority vote in both houses in the case of a reduction veto and by a three-fifths vote in the case of a line-item veto. If additional resources beyond those initially approved in the budget become necessary, a supplemental appropriation bill may be passed any time the General Assembly is in session.

For information regarding the budget of the State for the current Fiscal Year, see "SECTION 2—RECENT FINANCIAL HISTORY" herein.



## STATE FINANCIAL REPORTS

*Financial Reports.* The Comptroller annually prepares two separate financial reports that are audited by the Auditor General, who also opines on the financial statements, or, with respect to the Traditional Budgetary Financial Report (“TBFR”), a portion of the financial statements, contained in those reports.

As the fiscal control officer of the State, the Comptroller issues a report which includes financial statements detailing receipts and expenditures for each year prepared according to GAAP and containing statements of budgetary fund balances and changes in budgetary fund balances for all fund groups. Through and including the Fiscal Year ended June 30, 2020, this report has been referred to as the “*Comprehensive Annual Financial Report.*” Beginning with the Fiscal Year ending June 30, 2021, this report will be titled “*Annual Comprehensive Financial Report.*” This report will be referred to herein as the “Annual Report.”

Under Section 19.5 of the State Comptroller Act (15 ILCS 405/1 *et seq.*) (the “State Comptroller Act”), the Comptroller must publish the Annual Report 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. However, pursuant to Section 25 of the State Finance Act (30 ILCS 105/25) (the “State Finance Act”), the Lapse Period for certain expenses, which is the time period at the beginning of a Fiscal Year during which the State is allowed, by statute, to pay outstanding bills from a recently ended Fiscal Year (the “Lapse Period”), was permanently extended for certain medical assistance payments past the 60-day Lapse Period granted to most appropriations. This extension makes the publication of audited financial statements by December 31 problematic in years in which bills are paid during the end of the Lapse Period. The State has covenanted in its continuing disclosure undertakings to file the Annual Report within 30 days after its availability to GOMB. See “CONTINUING DISCLOSURE” in the body of this Official Statement and APPENDIX E—FORM OF CONTINUING DISCLOSURE UNDERTAKING. A final copy of the Fiscal Year 2020 Annual Report was made available to GOMB on August 19, 2021, and was uploaded to EMMA on such date. The Fiscal Year 2021 Annual Report has not been finalized, however, the Comptroller released an interim financial report in January 2022 related to Fiscal Year 2021 titled “Interim Annual Comprehensive Financial Report Highlights” which contains certain financial information, including information regarding the State’s Net Position, revenues, expenses, pensions and other post-employment benefits, among other things (the “FY 2021 Interim Report”). The information in the FY 2021 Interim Report is subject to change based on final audited financial reports becoming available from the various State agencies. The FY 2021 Interim Report is available on the Comptroller’s website. See APPENDIX F—WEBSITE INDEX.

The Comptroller also annually prepares and issues the TBFR using accounting practices prescribed or permitted by the State Comptroller Act that represent the budget basis of accounting. Only portions of the TBFR have been audited. Presentation practices in the TBFR are materially different from the generally accepted accounting principles (“GAAP”) presentation practices used in the Annual Report. Under Section 20 of the State Comptroller Act, the TBFR for each Fiscal Year is to be released by December 31 of each year. A final copy of the Fiscal Year 2021 TBFR can be found on the Comptroller’s website. See APPENDIX F—WEBSITE INDEX.

Key differences between the accounting practices used in the TBFR and GAAP utilized in preparing the Annual Report are described in “SECTION 3—GENERAL FUNDS FINANCIAL REPORTS” in this Part II.

*Measurement Basis.* The basis used in preparing financial information impacts the manner in which revenues and expenditures are recognized in preparing these financial reports. 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; or (iii) the GAAP as promulgated by the Government Accounting Standards Board (“GASB”) basis of accounting.

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 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 TBFR and Annual Report.* Key differences between the accounting practices used in the TBFR and GAAP utilized in preparing the Annual Report, include the following:

*Revenue Recognition:*

- The TBFR recognizes as revenues those amounts collected and deposited by June 30 of each Fiscal Year.
- The Annual Report 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 Annual Report 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 Annual Report 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 II-6—“ACCOUNTS PAYABLE AS OF THE END OF EACH FISCAL YEAR 2017-2021” herein.

*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 Annual Report 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 II-4 and II-5 herein represent only the General Funds portion (approximately 89% of the total required contribution) as certified by (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”) net of the debt service on the GO Bonds issued by the State in 2003 to fund contributions to the Retirement Systems 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 Part IV of this Appendix A.

*Scope of General Funds:*

- The TBFR and Tables II-4, II-5 and II-9 herein reflect the General Revenue Fund, the Common School Fund, the General Revenue-Common School Special Account Fund and the Education Assistance Fund for Fiscal Years prior to Fiscal Year 2018, and reflect the General Revenue Fund, the Common School Fund, the General Revenue-Common School Special Account Fund, the Education Assistance Fund, the Commitment to Human Services Fund, the Fund for the Advancement of Education and the Budget Stabilization Fund for Fiscal Year 2018 and subsequent Fiscal Years.
- The Annual Report data in Table II-10 also includes the Budget Stabilization Fund, Medicaid Provider Assessment Program Funds, and certain other funds as more fully described in Note 1 therein.

## **ECONOMIC AND FISCAL POLICY REPORT: FY 2022–FY 2027**

GOMB is required, pursuant to Section 7.3 of the GOMB Act, to prepare annually and submit to the General Assembly an economic and fiscal policy report, which is required to be published on November 15th of each year. 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 November 9, 2021 (the “2021 Economic and Fiscal Policy Report”). The 2021 Economic and Fiscal Policy Report explained that, even with a balanced budget for Fiscal Year 2022, due to the underlying structural deficit of the State’s budget, deficits in the General Funds budget were projected for Fiscal Years 2022 through 2027 absent further action. Though the Economic and Fiscal Policy Report projected deficits would return beginning in Fiscal Year 2023, the deficits were projected at a lower level than under previous forecasts. The 2021 Economic and Fiscal Policy Report estimated that the State’s structural deficit has been reduced by more than \$2 billion. Deficits ranging from \$406 million to \$1.061 billion were projected through the remainder of the forecast period set forth in the 2021 Economic and Fiscal Policy Report. The Fiscal Year 2022 revenue estimates and future years drew from the IHS baseline economic forecast. See APPENDIX F—WEBSITE INDEX.

Since the publication of the Fiscal Year 2021 Economic and Fiscal Policy Report, the State’s revenues have dramatically improved. See the discussion related to Fiscal Year 2022 projected results and Fiscal Year 2023 Budget in Section 2 of this Part.

## SECTION 2 RECENT FINANCIAL HISTORY

### IMPACT OF COVID-19

The COVID-19 pandemic, along with various governmental measures taken to protect public health in light of the pandemic, has had an adverse impact on global economies, including economic conditions in the United States. The impact of the COVID-19 pandemic on the U.S. economy has been broad based and is expected to have significant continued negative impacts on national, state and local economies. Various governmental measures have been taken to protect the public health during the pandemic. Federal and state dollars have been directed to help support individuals, businesses and communities most impacted by the pandemic.

Illinois' economic performance during the pandemic has largely tracked with the rest of the nation, although every state has handled its response to COVID-19 differently. Similar to the nation as a whole, the recession's impact on Illinois' economy has been uneven across different industries and is influenced in part by the ability to work from home.

In March 2020, the President of the United States declared a "national emergency" and designated the State a part of the national disaster area, which, among other effects, allows the executive branch to disburse disaster relief funds to address the COVID-19 pandemic and related economic dislocation. In addition, Congress has enacted six pieces of legislation to address the impact of COVID-19 (collectively, the "Federal COVID Acts"): (i) the Coronavirus Preparedness and Response Supplemental Appropriations Act, enacted March 6, 2020; (ii) the Families First Coronavirus Response Act, enacted March 18, 2020; (iii) the Coronavirus Aid, Relief, and Economic Security Act, enacted March 27, 2020 (the "CARES Act"); (iv) the Paycheck Protection Program and Health Care Enhancement Act, enacted April 24, 2020; (v) the Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSA Act"), enacted December 27, 2020; and (vi) the American Rescue Plan Act (the "ARP Act"), enacted March 2021.

Beginning in the Spring of 2020, the Governor signed various disaster declarations and executive orders (each with 30-day periods of effectiveness which have been extended several times) to prevent the further spread of COVID-19 that have called for a variety of mitigation efforts that have included, at various times during the pandemic, social distancing and masking and imposed restrictions on personal mobility, business operations and congregate activities. The most recent disaster declaration and executive order related to COVID-19 were issued on April 29, 2022, and extend through May 28, 2022.

The Governor implemented a five-phase approach to reopening the State's businesses, with each successive phase easing certain of the restrictions previously imposed by such prior executive orders. The State is currently in the fifth and final phase of this reopening plan. All sectors of the economy have reopened with businesses, schools and recreation resuming normal operations with new safety guidance and procedures.

The State has taken various actions to limit the COVID-19 pandemic's impact on public health and the economy. The State provided coverage of COVID-19 testing, treatment and vaccination to all eligible State residents at no cost and opened community-based testing sites to anyone, regardless of insurance or symptoms. The State also conducted a substantial vaccination campaign. As of May 2, 2022, approximately 9.2 million Illinoisans aged 12 or older have

received at least one dose of a vaccine, which constitutes 85.3% of such portion of the population. 86.7% of Illinoisans aged 18 or over have received at least one dose of a vaccine for COVID-19.

GOMB prepares monthly reports for the Legislative Budget Oversight Commission containing information regarding revenue and expenditures, statutory transfers, grants awarded from certain federal relief related to the COVID-19 pandemic, and necessary budget management actions taken by the Office of the Governor, the GOMB, or any state agency. These reports also contain information about the expenditure of federal financial relief by State governments related to the COVID-19 pandemic. See APPENDIX F—WEBSITE INDEX herein for a link to such reports.

Furthermore, the COVID-19 pandemic caused economic disruptions for individuals and businesses in the State. Since March 2020, the COVID-19 pandemic has at times (i) reduced economic activity, which in turn reduced the amount of taxable transactions from which the State derives its revenues, (ii) triggered volatility in the prices for securities, which may reduce the income on which State income taxes are applied and may impact the funded status of the State's retirement funds (due to a reduction in the value of the assets on hand in each retirement fund and investment returns lower than assumed), and (iii) strained the liquidity of businesses, many of which in turn have been forced to close, temporarily or permanently, or reduce their workforces.

The State's economy has recovered to a significant extent from the effects of the pandemic. However, vital parts of the economy are still actively depressed due to the pandemic's impact. Federal fiscal and monetary policy have helped spur a strong economic recovery, but full recovery is uncertain until the pandemic ends.

The labor market has had an inconsistent recovery as the COVID-19 pandemic has adversely affected investment and hiring decisions for companies doing business in the State. After reaching a historic low of 3.7% (seasonally adjusted) in January 2020, the State's unemployment rate increased to 17.4% (seasonally adjusted) in April 2020 and has since declined to 4.75% (seasonally adjusted) in March 2022 (compared to 3.6% nationally in March 2022).

As a result of these impacts, the State's income and sales tax revenues decreased significantly in Spring 2020. The State projected a substantial budget deficit for the remainder of Fiscal Year 2020 and estimated a severe reduction in revenues for Fiscal Year 2021. The State took budgetary actions to address these declines in revenue, including implementing cost control measures and issuing its General Obligation Certificates, Series of June 2020 (the "2020 Short-Term Certificates"), which essentially eliminated the Fiscal Year 2020 shortfall. Such cost control measures included an order by the Governor to State agency directors to halt all non-essential purchases and operational expenditures, freeze non-essential travel and limit non-essential hiring.

The State's budget for Fiscal Year 2021 included additional budgetary savings actions. Such actions included reducing operations appropriations by approximately \$200 million and transportation appropriations by approximately \$140 million from the amounts included in the Governor's initial budget proposal, reflecting estimated savings from the continuation of the partial hiring freeze and restricted operations expenditures. Agency directors were also asked to identify potential 5% reserves from most Fiscal Year 2021 appropriations, and in December 2020, the Governor outlined \$700 million in spending reductions. In addition, the State issued the 2020 CURE Borrowing Act Notes, which provided approximately \$2 billion in additional funds for the State during Fiscal Year 2021.

As a result of the Federal COVID Acts, approximately \$26 billion will pass through the State Treasury over the next several years from the federal government, a portion of which has already been received. Of this amount, \$3.5 billion was allocated from the Coronavirus Relief Fund (“CRF”) for the State’s “necessary expenditures” in response to COVID-19, approximately \$8 billion is allocated for K-12 education, \$1.5 billion is allocated for the Department of Public Health, and \$1.8 billion is allocated to child care. Funding for higher education institutions and mass transit systems are provided directly by the federal government.

The total includes the amounts from the ARP Act that provided the State with approximately \$8.1 billion in federal Coronavirus State Fiscal Recovery funds (“CSFRF”) to be used to mitigate the fiscal effects stemming from the COVID-19 public health emergency. Among other things, funds may be used for costs incurred by the State to respond to the public health emergency and its negative economic consequences and to provide for government services to the extent of the reduction of revenue due to the COVID-19 public health emergency relative to revenues collected in the prior Fiscal Year.

Furthermore, though the State’s revenue receipts initially declined at the onset of the pandemic, the performance of the State’s income and sales tax revenues exceeded projections during Fiscal Year 2021 from the State’s initial projections in the Spring of 2020 as described under “—REVIEW OF FISCAL YEAR 2021 PERFORMANCE” in this Part II.

As a result of the State’s budgetary reductions and partially recovered revenues, stronger than forecasted economic performance and the issuance of the 2020 CURE Borrowing Act Notes and the 2020 Short-Term Certificates (together, the “MLF Borrowings”), the State ended Fiscal Year 2021 with a surplus, and was able to repay a portion of the 2020 CURE Borrowing Act Notes early. See “—REVIEW OF FISCAL YEAR 2021 PERFORMANCE” herein. The balance of the 2020 CURE Borrowing Act Notes was repaid during Fiscal Year 2022. See “—FISCAL YEAR 2022 BUDGET AND PROJECTED RESULTS.” Repayment of the MLF Borrowings in advance of their maturities saved the State approximately \$82 million.

The State will continue to develop economic forecasts and revenue estimates as circumstances change and additional information becomes available. The State provides no assurances that actual results will not vary, and perhaps vary widely, from the estimated results described herein.

The following table provides information on the State’s monthly revenues received during Fiscal Years 2021 and 2022.

**TABLE II-2**  
**GENERAL FUNDS MONTHLY REVENUES, JULY 2020-APRIL 2022**  
**(\$ in millions)**

	Fiscal Year 2021											
	Jul-20 <sup>(1)</sup>	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
State Source Revenues:												
Individual Income Tax	2,339	1,453	1,676	1,379	1,275	1,618	2,096	1,472	2,176	2,326	2,791	1,924
Corporate Income Tax	323	70	477	106	46	436	124	61	248	905	136	631
Sales Tax	734	767	745	769	739	852	766	642	731	841	867	914
Other Sources/Transfers In	378	338	633	294	221	363	451	401	471	388	293	420
<i>State Source Revenues</i>	<i>3,775</i>	<i>2,629</i>	<i>3,531</i>	<i>2,548</i>	<i>2,282</i>	<i>3,270</i>	<i>3,437</i>	<i>2,576</i>	<i>3,626</i>	<i>4,460</i>	<i>4,087</i>	<i>3,889</i>
Federal Sources	304	329	154	19	852	1,325	74	326	391	553	212	205
<b>Total Base Revenues</b>	<b>4,079</b>	<b>2,957</b>	<b>3,685</b>	<b>2,567</b>	<b>3,134</b>	<b>4,595</b>	<b>3,511</b>	<b>2,902</b>	<b>4,017</b>	<b>5,013</b>	<b>4,299</b>	<b>4,094</b>
Short-Term Borrowing <sup>(2)</sup>	0	0	0	(200)	0	(160)	0	0	(445)	(250)	(154)	0
CURE Borrowing	0	0	0	0	0	1,998	0	0	0	0	(690)	(310)
Interfund Borrowing <sup>(2)(3)</sup>	(12)	0	0	0	0	0	(5)	0	0	(105)	0	(18)
Treasurer's Investment Borrowing <sup>(2)</sup>	(400)	0	0	0	400	0	0	0	0	0	(400)	0
<b>Total Revenues</b>	<b>3,667</b>	<b>2,957</b>	<b>3,685</b>	<b>2,367</b>	<b>3,534</b>	<b>6,433</b>	<b>3,506</b>	<b>2,902</b>	<b>3,572</b>	<b>4,658</b>	<b>3,053</b>	<b>3,766</b>
	Fiscal Year 2022											
	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22		
State Source Revenues:												
Individual Income Tax	1,342	1,501	1,835	1,407	1,438	1,839	3,034	1,377	2,683	4,638		
Corporate Income Tax	125	58	889	198	72	761	299	75	387	1,462		
Sales Tax	900	847	880	856	795	972	877	651	795	867		
Other Sources/Transfers In	351	433	699	309	321	472	436	433	489	444		
<i>State Source Revenues</i>	<i>2,718</i>	<i>2,840</i>	<i>4,303</i>	<i>2,770</i>	<i>2,626</i>	<i>4,044</i>	<i>4,646</i>	<i>2,536</i>	<i>4,354</i>	<i>7,411</i>		
Federal Sources	481	374	539	316	403	82	585	291	479	625		
<b>Total Base Revenues</b>	<b>3,199</b>	<b>3,214</b>	<b>4,842</b>	<b>3,086</b>	<b>3,029</b>	<b>4,126</b>	<b>5,232</b>	<b>2,827</b>	<b>4,833</b>	<b>8,037</b>		
CURE Borrowing <sup>(2)</sup>	0	0	0	(150)	0	(600)	(302)	0	0	0		
ARP Act Reimbursement	0	0	0	144	0	295	0	0	0	0		
Interfund Borrowing <sup>(2)</sup>	0	0	(2)	(4)	0	(10)	(194)	(280)	(442)	0		
Treasurer's Investment Borrowing <sup>(2)</sup>	0	0	0	0	0	0	0	0	0	0		
<b>Total Revenues</b>	<b>3,199</b>	<b>3,214</b>	<b>4,840</b>	<b>3,076</b>	<b>3,029</b>	<b>3,811</b>	<b>4,736</b>	<b>2,547</b>	<b>4,391</b>	<b>8,037</b>		

Source: Illinois Office of the Comptroller.

1. In 2020 the individual and corporate income tax filing date was extended from April 15 to July 15. As a result, IIT revenues in the amount of \$1 billion and CIT revenues in the amount of \$300 million which would ordinarily have been received in April 2020 were actually received in July 2020.
2. Borrowing figures reflect principal amounts borrowed and repaid (excluding interest paid). Amounts in parentheses represent repayments of borrowings.
3. Outstanding interfund borrowing as of the beginning of Fiscal Year 2020 was \$645.4 million.



## **REBUILD ILLINOIS CAPITAL PLAN**

On June 28, 2019, the Governor signed the Rebuild Illinois capital plan (“Rebuild Illinois”), which passed the General Assembly with bipartisan support, into law. Rebuild Illinois, the largest infrastructure investment in the State’s history, is a six-year, \$45 billion capital investment in infrastructure and economic development. Key components of the Rebuild Illinois capital plan include appropriation authority, revenues to fund the program, and increased bond authorization were included in Public Acts 101-007, 101-029, 101-030, 101-031, and 101-032 (collectively, the “Rebuild Illinois Acts”). The Rebuild Illinois capital plan utilizes State bonded and pay-as-you-go funding, as well as federal, local and private funds, to support an estimated \$33.243 billion in transportation capital projects and nearly \$11.6 billion in non-transportation capital projects. In addition to adding \$20.846 billion in bonded appropriations, the plan accounts for \$10.353 billion in pay-as-you-go funding and \$13.606 billion in federal and local matching investments over six years. Major components of the plan include \$25.307 billion for roads and bridges, including \$11.0 billion in bonded funding and \$9.583 billion in pay-as-you-go funding; \$4.685 billion for mass transit projects; \$3.251 billion for other transportation projects including rail, ports and aeronautics; \$2.938 billion for higher education; \$526 million for Pre-K-12 education projects; \$4.357 billion for State facilities, including \$4.007 billion for statewide deferred maintenance and new projects and \$350 million for improvements to the State Capitol; \$1.007 billion for environment and conservation, including \$50 million in appropriation authority for Park and Recreation Facilities Construction (PARC) grants; \$1.848 billion for economic and community development; \$465 million for healthcare and human services, including \$200 million for construction and rehabilitation of affordable housing; and \$420 million for statewide broadband deployment. The total share of the Rebuild Illinois capital plan funded by the State is expected to total \$31.199 billion, while federal sources are expected to support \$10.032 billion, and local or private contributions are expected to include \$3.574 billion.

Approximately \$19.3 billion in new GO Bond authorization was included in Public Act 101-030, as well as \$3.2 billion in new authorization for Build Illinois Bonds. The increased authorizations will support approximately \$18.2 billion in new GO Bond funded appropriations and approximately \$2.7 billion in new Build Illinois Bond Fund (as hereinafter-defined) appropriations for the Rebuild Illinois capital plan. See “PART III—INDEBTEDNESS OF THE STATE—REVENUE OBLIGATIONS—Build Illinois” herein. The remaining increases in authorization were enacted to make whole any shortfalls between enacted appropriation authority, existing cash resources, and existing bond authorization.

GO Bond authorization increases include: (1) over \$8 billion in Capital Development Fund authorization for capital facilities and projects at colleges and universities, open land and recreational spaces, state dams and waterways, health facilities, libraries, and state facilities such as veterans’ homes and correctional centers; (2) \$59 million in School Construction Fund authorization; (3) \$139 million for the Anti-Pollution Fund for purposes such as grants to disadvantaged communities without modern sewage systems and deposits into the Water Revolving Fund; (4) Transportation A Fund authorization increase of nearly \$6.5 billion for state highways and bridges; (5) Transportation B Fund authorization increase of \$104 million for mass transit facilities; (6) \$6.5 million for State roads and bridges for the Transportation D Fund; and (7) \$4.5 billion authorization for grade crossings, port facilities, airport facilities, rail facilities, and mass transit facilities to support the newly created Multi-Modal Transportation Bond Fund.

Build Illinois Bond Fund authorization was increased by (1) \$1.1 billion for public infrastructure projects; (2) \$1.3 billion for economic development projects; (3) \$767 million for educational, scientific and technical programs and projects; and (4) \$47.7 million for protection, preservation, restoration and conservation of environmental and natural resources.

Capital appropriation authority totaling just over \$46.5 billion was enacted by Public Acts 101-007 and 101-029. This includes the nearly \$6.4 billion in reappropriations from bond funds that were enacted prior to Fiscal Year 2020, along with \$7.6 billion in pay-as-you-go reappropriations supported by current revenues. \$11.2 billion in new pay-as-you-go appropriation authority was also enacted.

Another component of the Rebuild Illinois capital plan was additional revenues to finance both debt service from the issuance of bonds and increased pay-as-you-go investments. Revenues raised to support the Rebuild Illinois capital plan include both transportation and non-transportation related sources. New and additional revenues include an increase to the Motor Fuel Tax (“MFT”) of 19 cents per gallon that will also increase annually based on the Consumer Price Index for All Urban Consumers (“CPI-U”); an increase in vehicle and electric vehicle registration fees; tiered increases for various other title and registration fees; a 5 cents per gallon tax increase on special fuels; gaming expansions that include sports wagering and changes to video and casino gaming; a new tax on parking lots and garages; a cap on the sales tax exemption value of traded-in vehicles (which was later repealed and replaced with higher taxes on private sales); an increase to the cigarette tax; and legislation to increase compliance for remote online retailers collecting the state sales tax. See “GENERAL FUNDS REVENUES” in Section 4 of this Part for additional information regarding these revenue sources.

Revenues from gaming, the parking tax and cigarette taxes will be deposited into the Capital Projects Fund to support debt service on a portion of the bonds newly authorized under the Rebuild Illinois Acts primarily for State facilities and environmental purposes under Section 3 and Section 6 of the Bond Act. Revenues from the vehicle license and registration fees and the increase on special fuels will be deposited into the Road Fund to support debt service costs on bonds issued under Sections 4(a) and 4(e) of the Bond Act. Additionally, beginning in Fiscal Year 2022, 1% of the 5% State tax on motor fuel purchases will begin to be deposited into the Road Fund, as opposed to the General Funds, annually, with the entire amount being deposited to the Road Fund, in lieu of the General Funds, by Fiscal Year 2026. The revenues collected from the 19 cent increase in the MFT will be allocated to the Transportation Renewal Fund to be allocated to local road and transit districts and State pay-as-you-go transportation construction projects. Upfront license fees associated with gaming expansion will be dedicated to pay-as-you-go Rebuild Illinois projects.

Despite the effects of the COVID-19 pandemic and the response thereto, the State has continued to implement the Rebuild Illinois capital plan. The State spent approximately \$9.343 billion in capital projects during Fiscal Years 2020 and 2021. Some Rebuild Illinois projects were temporarily suspended in compliance with the Governor’s COVID-19 related executive orders in order to provide for the safety of staff, vendors and the public at large; those projects which had been suspended have now resumed. The State makes no prediction as to the effect of such suspensions on the timeframe for completion of such projects.

In addition, the State makes no prediction as to the effect of the COVID-19 pandemic and the response thereto on the State’s receipt of the revenues described in this section.

## **BILL PAYMENT DELAYS**

During Fiscal Years 2016 and 2017, the State accumulated a significant backlog of unpaid bills due to the State's budget impasse during those fiscal years. The Comptroller's estimate of the amount of unpaid bills as of November 8, 2017 (the largest amount of unpaid bills the State has had outstanding at any time) was \$16.7 billion. The State's large backlog of bills also caused the State to incur interest charges on unpaid bills in accordance with the State Prompt Payment Act (30 ILCS 540/0.01 *et seq.*) (the "Prompt Payment Act"). The State employed a variety of measures to reduce the bill backlog, including the issuance of the Section 7.6 Bonds. Supplemental Fiscal Year 2022 appropriations were enacted by the State in March and April 2022, with the funds to be directed towards addressing unpaid bills, including \$898 million to address unpaid State employee health insurance bills.

As a result of these measures, the State has made significant strides in paying these bills. The Comptroller's estimate of unpaid bills decreased from \$16.7 billion on November 8, 2017, to \$5.5 billion as of December 31, 2020, and to \$4.0 billion as of June 30, 2021. As of March 31, 2022, the Comptroller's Debt Transparency Report estimated the amount of unpaid bills, including approved vendor payments at the Comptroller's office, bills in process at State agencies and transfers owed to other State funds to be \$3.6 billion. The Comptroller estimates that \$1.75 billion (approximately 57%) of these bills constituted transfers owed to other State funds in the State Treasury and usually were not tied to a vendor payment. Due to the significant paydown of the bill backlog, the Comptroller has retired the term "backlog" and instituted usage of the term "accounts payable" given that the number of days payable for General Funds bills at the Comptroller, excluding interfund transfers, has been reduced to less than one month. In addition, the State has greatly reduced the interest charges owed under the Prompt Payment Act relating to these unpaid bills.

## **REVIEW OF FISCAL YEAR 2020 PERFORMANCE**

On June 5, 2019, the Governor signed P.A. 101-007, the State's Fiscal Year 2020 Budget (the "Fiscal Year 2020 Budget"), which passed the General Assembly with bipartisan support, into law. The Fiscal Year 2020 Budget made key investments, increasing K-12 funding through the Evidence-Based Funding Formula by approximately \$379 million, increasing Early Childhood Block Grant funding by \$50 million, and appropriating the State's full statutorily required contribution to the State's retirement funds.

On February 19, 2020, GOMB released an updated outlook for the Fiscal Year 2020 Budget with the Governor's budget proposal. This forecast was based on the economic conditions and Fiscal Year-to-date revenue available as of early February and included an estimate of base revenues of \$40.0 billion. However, due to the impact of the COVID-19 pandemic, the economic outlook for the State shifted significantly, meriting a revised revenue projection for the remainder of Fiscal Year 2020. Utilizing data forecasts available from IHS, GOMB and the Illinois Department of Revenue ("IDOR") estimated in April 2020 that Fiscal Year 2020 General Funds State source base revenues would total \$37.842 billion, approximately \$2.2 billion below the February estimate, net of \$500 million in expected additional federal revenues. Approximately \$1 billion of the revision was due to the delay in the State's individual income tax filing deadline from April 15, 2020 to July 15, 2020, in line with changes to the federal tax filing deadline.

Public Act 101-637, signed into law on June 10, 2020, provided appropriations for Fiscal Year 2021 and included \$504.0 million in supplemental appropriations for Fiscal Year 2020. The bill included \$382.2 million for the Department of Healthcare and Family Services (“HFS”) for the Medicaid program.

### ***Fiscal Year 2020 Revenues***

Final Fiscal Year 2020 base State revenues and transfers in from other State funds totaled \$38.060 billion, \$218 million above the April 2020 estimate, but approximately \$1.135 billion (2.9%) below the Fiscal Year 2019 base levels.

The State’s three largest revenue sources, individual income tax, corporate income tax and State sales tax, totaled \$28.807 billion in deposits to the General Funds, a net decrease of \$1.227 billion (4.1%) when compared to Fiscal Year 2019. \$1.709 billion was deposited into the Local Government Distributive Fund, Public Transportation Fund and Downstate Public Transportation Fund from income and sales tax receipts prior to the deposit of these revenue sources into the General Funds.

Other State source revenues totaled \$3.271 billion, a \$255 million decrease from Fiscal Year 2019 levels. Transfers to the General Funds totaled \$2.431 billion, an increase of \$396 million (19.5%) from Fiscal Year 2019. This increase is primarily due to a larger than usual transfer in from the Income Tax Refund Fund in Fiscal Year 2020. The Fiscal Year 2019 transfers from this fund were \$327 million, compared to \$617 million in Fiscal Year 2020.

Federal revenues totaled \$3.551 billion, a decrease of \$49 million (1.4%) from Fiscal Year 2019 federal revenues. Under the Federal COVID Acts, the State received an additional federal match (“Enhanced Federal Match”) of 6.2% on eligible bills under the Medicaid program beginning on January 1, 2020. The State will continue to receive the Enhanced Federal Match through the end of the calendar quarter in which the current federal public health emergency declaration ends.

Additionally, the Fiscal Year 2020 totals included \$462 million in interfund borrowing and \$400 million from the Treasurer’s investment borrowing program (which repayment was extended until Fiscal Year 2021), along with \$1.198 billion in proceeds of the 2020 Short-Term Certificates. Including those amounts, total resources available for Fiscal Year 2020 totaled \$40.120 billion.

### ***Fiscal Year 2020 Expenditures***

Total General Funds pension costs and operating expenditures for Fiscal Year 2020 totaled \$37.386 billion, an increase of \$991 million or 2.7% from Fiscal Year 2019 results.

Statutory transfers out of the General Funds increased by approximately \$7 million to \$440 million in Fiscal Year 2020 from actual Fiscal Year 2019 results of \$433 million. Debt service transfers for GO Bonds totaled \$1.870 billion from the General Funds. Fiscal Year 2020 expenditures also included \$280 million for interfund borrowing repayments and \$7 million in interest related to the Treasurer’s investment borrowing program.

### ***Fiscal Year 2020 Results***

The Fiscal Year 2020 General Funds Budget resulted in a \$38 million decrease in the General Funds budgetary balance (the June 30 cash balance less the General Funds obligations paid in the State’s Lapse Period) after the Comptroller’s budgetary basis adjustments. The budget basis fund deficit at the end of Fiscal Year 2020 totaled \$5.751 billion, up from \$5.713 billion in Fiscal Year 2019. Final Fiscal Year 2020 results on a budgetary basis, including Lapse Period transactions,

are available in the Fiscal Year 2020 TBFR. See SECTION 1—"BASIC INFORMATION REGARDING STATE FINANCES—STATE FINANCIAL REPORTS" herein.

## **REVIEW OF FISCAL YEAR 2021 PERFORMANCE**

On June 10, 2020, the Governor signed the State's Fiscal Year 2021 Budget (the "Fiscal Year 2021 Budget") into law. The Fiscal Year 2021 Budget directed over \$5 billion in federal aid from the Federal COVID Acts to public health, social services, small businesses, local governments, and households, including allocations of the remaining \$3.3 billion from CRF. CRF funded state agency operational costs, local government grants, grants to small businesses and child care providers, rental and mortgage assistance programs and healthcare provider support payments.

At the time of the Fiscal Year 2021 Budget's enactment, the estimated Fiscal Year 2021 General Funds base revenues totaled \$36.769 billion, approximately \$4 billion lower than the estimated amounts at the time the Governor's budget was introduced in February 2020 due to the forecasted impact of COVID-19 on the State's economy. Fiscal Year 2021 base expenditures in the enacted budget were projected to total \$43.067 billion, reflecting no material increases in funding for pre-K-12 education, higher education, public safety and health care costs and reduced funding for government services. Limited increases were included for social service programs and Medicaid costs.

To address the revenue shortfall created by the uncertain impact of the pandemic on the State's economy and potential cashflow challenges during the year, the legislation enacted to implement the Fiscal Year 2021 Budget included the enactment of the Coronavirus Urgent Remediation Emergency Borrowing Act (the "CURE Borrowing Act") in June 2020, pursuant to which the State issued the 2020 CURE Borrowing Act Notes in December 2020.

### ***Fiscal Year 2021 Revenues***

Base revenues and transfers from other State funds totaled \$44.852 billion, an increase of \$6.792 billion (17.8%) from the Fiscal Year 2020 level, due in part to the extension of the income tax filing deadline from April 2020 to July 2020. This shifted approximately \$1.3 billion in final payments from Fiscal Year 2020 to Fiscal Year 2021.

The State's three largest revenue sources, individual income tax, corporate income tax and State sales tax, totaled \$35.456 billion, an increase of \$6.649 billion (23.1%) more than Fiscal Year 2020 results. This total is net of the deposit of \$2.146 billion into the Local Government Distributive Fund, Downstate Public Transportation Fund and Public Transportation Fund.

Other State source revenues totaled \$3.102 billion, a \$169 million decrease from Fiscal Year 2020 levels. Transfers into the General Funds totaled \$1.550 billion, a decrease of \$881 million (36.2%) from Fiscal Year 2020. This decrease is primarily due to a sharp drop in casino gaming revenues in Fiscal Year 2021 related to the pandemic and a larger than usual transfer in from the Income Tax Refund Fund in Fiscal Year 2020. In Fiscal Year 2020, \$617 million was transferred from this fund, compared to \$281 million in Fiscal Year 2021.

Federal revenues totaled \$4.744 billion, an increase of \$1.193 billion (33.6%). This total includes additional revenues from the Enhanced Federal Match on Medicaid expenditures and \$395 million

in transfers from federal CRF for reimbursement to the General Funds of necessary COVID-19-related expenditures.

### ***Fiscal Year 2021 Expenditures***

Total General Funds pension costs and operating expenditures for Fiscal Year 2021 totaled \$39.381 billion, an increase of \$1.995 billion (5.3%) from Fiscal Year 2020.

Statutory transfers out of the General Funds increased by approximately \$77 million to \$517 million in Fiscal Year 2021 from Fiscal Year 2020 totals of \$440 million.

Debt service transfers for GO Bonds totaled \$1.529 billion from the General Funds. Fiscal Year 2021 expenditures also included \$140 million for estimated interfund borrowing repayments by the Comptroller, \$405 million in investment borrowing repayments by the Treasurer and \$2.209 billion in repayments of the MLF Borrowings, consisting of \$1.210 billion for the 2020 Short-Term Certificates and approximately \$1.0 billion set aside for payments due with respect to the 2020 CURE Borrowing Act Notes. Repayment of the 2020 CURE Borrowing Act Notes is due over the next three Fiscal Years, beginning in Fiscal Year 2022. However, the enacted Fiscal Year 2022 Budget assumes the repayment of entire remaining balance, plus interest, in Fiscal Year 2022, and had been fully repaid by the end of January 2022.

### ***Fiscal Year 2021 Results***

The General Funds had a budgetary basis surplus of \$2.947 billion in Fiscal Year 2021, after early repayment of \$1 billion toward the 2020 CURE Borrowing Act Notes, and after accounting for the Comptroller's budgetary basis adjustments. This surplus was used primarily to reduce the State's unpaid bills, as described in PART V—INVESTMENT CONSIDERATIONS RELATED TO THE STATE—BILL PAYMENT DELAYS" in this Appendix A.

### **FISCAL YEAR 2022 BUDGET AND ESTIMATED RESULTS**

On June 17, 2021, the Governor signed the State's Fiscal Year 2022 Budget, contained in Public Acts 102-016 and 101-017, into law. The Fiscal Year 2022 Budget funds additional investments in education and human services, while fully funding certified pension contributions and continuing progress on debt repayments (including projected early repayment of the remaining 2020 CURE Borrowing Act Notes and all outstanding Interfund Borrowing amounts).

The Fiscal Year 2022 Budget also directs federal dollars received from the ARP Act to aid businesses and families and invest in Illinois' communities. In addition to dollars for specific programming purposes, the ARP Act allocated \$8.381 billion to Illinois through the Coronavirus State Fiscal Recovery Fund and the Coronavirus Capital Projects Fund (approximately \$54 million of said amount), which will allow the state to make targeted investments with the most impact. The budget allocated approximately \$2.8 billion from the CSFRF dollars for capital investments and one-time recovery and rebuilding projects. Specifically, these funds initial allocations were earmarked as follows: (i) \$380 million for State agency funding to support the COVID-19 response, (ii) \$573.3 million for economic recovery for small businesses, job training and negatively impacted industries, (iii) \$406.5 million for healthcare response and improving public health outcomes, (iv) \$128.9 million for violence prevention and youth employment, (v) \$114.2 million for affordable housing and to address homelessness, (vi) \$55.8 million for improving educational outcomes and addressing educational disparities, (vii) \$163.8 million for community support programs to address disparities in public health outcomes, and (viii) \$1.0 billion for capital infrastructure. In addition to these investments, the budget plan includes the transfer of \$1.5 billion

to replace lost State revenues to the General Funds to fund essential government services as allowed under the CSFRF guidance.

### ***Fiscal Year 2022 Estimated Revenues***

Base revenues and transfers in from other State funds are estimated, as of April 2022, to total \$47.686 billion in Fiscal Year 2022, an increase of \$2.8 billion from the Fiscal Year 2021 level. An increase is estimated despite the extension of the tax filing and payment deadline from April 15, 2020, to July 15, 2020, which led to an estimated \$1.3 billion in income tax payments being shifted from Fiscal Year 2020 to the first half of Fiscal Year 2021.

The State's three largest revenue sources, individual income tax, corporate income tax and State sales tax, are estimated to total \$37.774 billion, an increase of \$2.318 billion (6.5%) more than Fiscal Year 2021. The estimate assumes, and is net of, the deposit of \$2.421 billion into the Local Government Distributive Fund, Downstate Public Transportation Fund and Public Transportation Fund.

Other State source revenues are projected to total \$3.239 billion, a \$386 million increase from Fiscal Year 2021 levels. Transfers into the General Funds are projected to total \$2.073 billion, an increase of \$523 million (33.8%) from Fiscal Year 2021.

Federal revenues are projected to total \$4.599 billion, a decrease of \$145 million (3.1%) from Fiscal Year 2021.

### ***Fiscal Year 2022 Estimated Expenditures***

Fiscal Year 2022 estimated expenditures total \$48.418 billion. This includes supplemental appropriations for the fiscal year enacted in March and April of 2022, including \$898 million to eliminate delays in payment of bills for the state employee and retiree health insurance program, \$300 million to the State's pension systems above the Fiscal Year 2022 certified level to help pay down the State's pension debt more quickly, and \$230 million for the College Illinois! Prepaid Tuition Program to address the unfunded liabilities of the program.

Additionally, Fiscal Year 2022 estimated expenditures include one-time costs such as \$929 million to pay off all outstanding interfund borrowing, \$1.052 billion to repay the remainder of the CURE Act Borrowing, and \$1.480 billion in funds to be set aside for temporary tax relief for families, including property tax and income tax rebates and funding to support a freeze of the state sales tax on groceries for one year.

General Funds contributions to the State Retirement Systems are budgeted at the amounts certified by the State's Retirement Systems, totaling \$9.363 billion, an increase of \$739 million (8.6%) from Fiscal Year 2021 levels, plus an additional supplementary contribution of \$300 million, as previously described.

Statutory transfers out of the General Funds are projected to increase by approximately \$211 million to \$728 million in Fiscal Year 2022 from Fiscal Year 2021 transfers out.

Debt service transfers from the General Funds for GO Bonds are projected to total \$1.4 billion.

### ***Fiscal Year 2022 Estimated Results***

The Fiscal Year 2022 Budget, including the supplemental appropriations and one-time expenditures, is estimated to result in a budgetary basis surplus of \$768 million, prior to the

Comptroller's budgetary basis adjustments. \$720 million of this surplus will be reserved in the State's Budget Stabilization Fund (one of the General Funds).

### **FISCAL YEAR 2023 ENACTED BUDGET**

On April 19, 2022, the Governor signed the State's Fiscal Year 2023 Budget, contained in Public Acts 102-0698 and 102-0699, into law. The Fiscal Year 2023 Budget makes substantial investments in long-term debt reduction, increases funding for education and human services, and fully funds certified pension contributions. The Fiscal Year 2023 Budget also allocates the majority of remaining CSFRF funds, including additional relief funds, to (i) affordable housing, (ii) assistance to long-term care facilities and workers, (iii) assistance for hotels, restaurants and cultural or arts groups, (iv) assistance for tourism recovery programs and (v) funding for hospitals and ambulances. Fiscal Year 2022 supplemental appropriations allocated \$2.7 billion of the State's CSFRF funds towards repayment of a portion of the State's Title VII advances of behalf of the State's unemployment insurance trust fund.

The Fiscal Year 2023 budget sets aside an additional \$200 million for payments to the State's pension systems over the required contributions for the year. The commitment towards long-term financial security was also continued through an additional Budget Stabilization Fund contribution of \$312 million, pushing the total commitment to the Budget Stabilization Fund to over \$1 billion by the end of Fiscal Year 2023, the largest balance the fund will have had since its creation. Finally, the Fiscal Year 2023 Budget provides approximately \$1.83 billion in tax and fee relief to State taxpayers.

### ***Fiscal Year 2023 Projected Revenues***

Base revenues and transfers in from other State funds are estimated to total \$46.429 billion in Fiscal Year 2023, a decrease of \$1.257 billion from the estimated Fiscal Year 2022 level, due in large part to moderation of economic growth and reductions in one-time increases in Fiscal Year 2022. Indirect federal economic support through the Federal COVID Acts and quicker than expected recovery from the 2020 recession have contributed to favorable economic conditions nationally and stronger than forecasted revenue collections over the last year which are expected to moderate in the near future.

The State's three largest revenue sources, individual income tax, corporate income tax and State sales tax, are estimated to total \$37.265 billion, a decrease of \$509 million (1.3%) less than Fiscal Year 2022 results. The estimate assumes, and is net of, the deposit of \$2.419 billion into the Local Government Distributive Fund, Downstate Public Transportation Fund and Public Transportation Fund.

Other State source revenues are projected to total \$3.151 billion, an \$88 million decrease from Fiscal Year 2022 levels. Transfers into the General Funds are projected to total \$2.013 billion, a decrease of \$60 million (2.9%) from Fiscal Year 2022 estimates.



Federal revenues are projected to total \$4.0 billion, a decrease of \$599 million (13%). This decrease is primarily attributable to the projected end of the enhanced federal match on Medicaid expenditures authorized during the COVID-19 pandemic.

***Fiscal Year 2023 Projected Expenditures***

Total General Funds expenditures for Fiscal Year 2023 are projected to total \$45.986 billion, a decrease of \$2.433 billion (5.0%) from Fiscal Year 2022 totals including supplemental appropriations and one-time expenditures.

General Funds contributions to the State Retirement Systems are budgeted at the amounts certified by the State's Retirement Systems, totaling \$9.632 billion, an increase of \$269 million (2.9%) from Fiscal Year 2022 levels, plus an additional \$200 million. Contributions to the Retirement Systems are projected to constitute approximately 21% of the State's General Funds expenditures for Fiscal Year 2023, a decline from approximately 30% of the State's General Funds expenditures in Fiscal Year 2016.

Statutory transfers out of the General Funds are projected to decline by approximately \$341 million to \$387 million in Fiscal Year 2023 from Fiscal Year 2022 totals of \$728 million.

Debt service for GO Bonds is projected to total \$1.580 billion from the General Funds.

***Fiscal Year 2023 Projected Results***

The Fiscal Year 2023 projected result is a budgetary basis surplus of \$444 million. After the authorized \$312 million set aside to the Budget Stabilization Fund, one of the General Funds, the remaining surplus is \$132 million.

**TABLE II-3**  
**STATE OF ILLINOIS GENERAL FUNDS FINANCIAL WALKDOWN**  
**(\$ millions)**

	ACTUAL FY 2021	ESTIMATED FY 2022 <sup>(5)</sup>	FORECAST FY 2023 <sup>(6)</sup>
<b>GENERAL FUND RESOURCES</b>			
<b>State Sources: Revenues</b>			
Net Individual Income Taxes	22,525	22,717	22,577
Net Corporate Income Taxes	3,563	4,858	4,608
Net Sales Taxes	9,368	10,200	10,080
Public Utility Taxes	752	743	720
All Other Sources	2,350	2,496	2,431
<b>Total State Sources: Revenues</b>	<b>38,558</b>	<b>41,014</b>	<b>40,416</b>
<b>State Sources: Transfers In</b>			
Lottery	777	818	665
Gaming	0	139	157
Adult-Use Cannabis	71	109	142
Other Transfers	702	1,007	1,049
<b>Total State Sources: Transfers In</b>	<b>40,108</b>	<b>43,087</b>	<b>42,429</b>
<b>Federal Sources</b>	<b>4,744</b>	<b>4,599</b>	<b>4,000</b>
<b>TOTAL BASE RESOURCES</b>	<b>44,852</b>	<b>47,686</b>	<b>46,429</b>
Municipal Liquidity Facility <sup>(1)</sup>	1,998 <sup>(2)</sup>	0	0
ARP Act Reimbursement for Essential Government Services	0	1,500 <sup>(3)</sup>	0
<b>TOTAL RESOURCES WITH COVID-RELATED FEDERAL RECEIPTS</b>	<b>46,850</b>	<b>49,186</b>	<b>46,429</b>
<b>EXPENDITURES</b>			
Education	10,870	11,619	12,000
Pre-K-12 Education	8,897	9,327	9,758
Higher Education	1,973	2,292	2,242
Economic Development	81	179	243
Public Safety	1,915	2,036	2,228
Human Services	7,177	7,705	8,832
Healthcare	8,179	7,853	8,165
Environment and Culture	61	117	89
Government Services	3,786	4,578	3,648
Group Health Insurance	2,022	2,750	1,831
Chicago Teachers' Pension System	267	277	309
Government Services	1,497	1,551	1,509
Unspent Appropriations	(1,314)	(920)	(1,145)
<b>Total Operating Budget</b>	<b>30,757</b>	<b>33,166</b>	<b>34,061</b>
<b>EXPENDITURES: PENSIONS</b>			
K-12 Education Pensions	5,141	5,694	5,894
State Universities' Pensions	1,781	1,883	1,904
State Employees' Pensions	1,702	1,786	1,835
<b>Total Pension Costs</b>	<b>8,624</b>	<b>9,363</b>	<b>9,632</b>
<b>EXPENDITURES: TRANSFERS OUT OF GENERAL FUNDS</b>			
Statutory Transfers Out	517	728	387
Pension Stabilization Fund Contribution	0	300	200
Property Tax Rebate Checks to Individuals	0	470	50
Grocery Tax Replacement to Local Governments	0	325	75
Income Tax Rebate Checks to Individuals	0	685	0
Debt Service	1,529	1,400	1,580
Interfund Borrowing Repayment	140	929	0
Treasurer's Investment Borrowing Repayment	405	0	0
COVID-Related Debt Repayment (Municipal Liquidity Facility) <sup>(4)</sup>	2,209	1,052	0
<b>Total Transfers Out</b>	<b>4,800</b>	<b>5,889</b>	<b>2,292</b>
<b>TOTAL EXPENDITURES</b>	<b>44,181</b>	<b>48,418</b>	<b>45,986</b>
Comptroller Budgetary Basis Adjustment	278	0	0
General Funds Surplus/(Deficit)	<b>2,947</b>	<b>768</b>	<b>444</b>
Budget Stabilization Fund Contribution	0	(720)	(312)
Adjusted General Funds Surplus/(Deficit)	<b>2,947</b>	<b>48</b>	<b>132</b>

- (1) See "AUTHORIZATION FOR STATE GENERAL OBLIGATION DEBT" for additional information regarding the MLF Borrowings.
- (2) Represents proceeds received from the issuance of the 2020 CURE Borrowing Act Notes.
- (3) Transfers into the General Funds from State Coronavirus Fiscal Recovery Fund moneys.
- (4) Consists of repayments of the 2020-Short-Term Certificates and a portion of the 2020 CURE Borrowing Act Notes.
- (5) Reflects the State's estimates as of April 2022.
- (6) Reflects the State's projections as of April 2022.

## **UNEMPLOYMENT TRUST FUND**

The Social Security Act of 1935, as amended (the “Social Security Act”), established the Unemployment Insurance Program (the “Program”) as a joint Federal-state program to provide benefits for workers who are covered by the Program and have lost work through no fault of their own. Benefits potentially available under the Program include: (1) regular benefits, which are financed by the states, (2) extended benefits under the Federal-state extended benefits program, which are financed partly by the states and partly by the Federal government, and (3) special extended benefits, which are financed entirely by the Federal government.

The State administers the payment of benefits under the Program and collects revenues from employers to cover the regular benefits payable under the Unemployment Insurance Act (820 ILCS 405/100 *et seq.*) (the “UI Act”) and the State’s share of Federal-state extended benefits. The revenues are deposited into a trust fund established in the Treasury of the United States (the “Unemployment Trust Fund”), in an account financed by and specific to the State (the “State UTF Account”). The State’s program is administered by the Illinois Department of Employment Security (“IDES”).

All benefits paid by IDES are drawn from the State UTF Account. The State UTF Account has from time to time lacked sufficient reserves and revenues to pay all benefits due under the UI Act, in particular during times of high unemployment. When this occurs, the State has relied on advances from the federal government to pay benefits. Title XII of the Social Security Act authorizes the states to borrow money from the federal government to pay benefits when the state UTF accounts lack sufficient funds to pay benefits (“Federal Advances”). Federal Advances generally bear interest at a rate equal to the lesser of ten percent or the rate paid by the Federal government on the aggregate balances of all state accounts within the Unemployment Trust Fund for the last calendar quarter of the preceding calendar year. This interest rate is currently 1.59%.

During the COVID-19 pandemic, the State UTF Account was depleted due to high unemployment rates. This led IDES to borrow from the Federal government to fulfill its mandate to pay benefits as required by law. As of December 31, 2021, approximately \$4.5 billion of borrowings by the State from the federal government remained outstanding.

In Public Act 102-0696, the State made supplemental appropriations for Fiscal Year 2022 which allocate \$2.7 billion of the State’s CSFRF funds towards repayment of a portion of the outstanding Federal Advances. This amount was deposited to the State UTF Account before March 31, 2022, reducing the outstanding balance to approximately \$1.8 billion. The State continues to consider options for repayment of the remaining \$1.8 billion, which could include the issuance of bonds authorized by the Illinois Unemployment Insurance Trust Fund Financing Act (30 ILCS 440/1 *et seq.*) (the “IUITF Financing Act”), although currently the bonding authority in the IUITF Financing Act has expired. Any bonds issued pursuant to the IUITF Financing Act would be payable solely from the revenues authorized in the IUITF Financing Act and would not constitute GO Bonds of the State.

## **BUDGET STABILIZATION FUND**

The Budget Stabilization Fund was established in 2001 as a “rainy day” fund for the State to help manage fluctuations in General Fund revenues and expenditures. The Budget Stabilization Fund had a balance between \$226 million and \$276 million in each Fiscal Year from 2002 through 2016. During the State’s budget impasse in Fiscal Years 2016 and 2017, virtually all of the funds on

hand in the Budget Stabilization Fund were diverted away from the Budget Stabilization Fund. The State had not replenished the Budget Stabilization Fund since the budget impasse until recent actions in the legislative session.

The Fiscal Year 2022 Budget and the Fiscal Year 2023 Budget allocate a total of approximately \$1 billion to replenish the Budget Stabilization Fund from General Revenue Fund transfers: \$720 million for Fiscal Year 2022 and \$280 million for Fiscal Year 2023. In addition, the Fiscal Year 2023 Budget directs permanent revenue streams to the Budget Stabilization Fund consisting of (i) 10% of cannabis revenues received by the State (estimated at \$32 million for Fiscal Year 2023) and (ii) monthly transfers of \$3.75 million from the State's General Revenue Fund to the Budget Stabilization Fund beginning in July 2023.

**SECTION 3**  
**GENERAL FUNDS FINANCIAL REPORTS**

This Section provides various historical financial information related to the State. The primary sources of the information contained in this section are the TBFRs and Annual Reports of the State.

**NET POSITION OF GOVERNMENTAL ACTIVITIES**

The Fiscal Year 2020 Annual Report provides that, as of June 30, 2020, the State's deficit net position of governmental activities (the "Net Position") increased by approximately \$4.7 billion from the State's Net Position as of June 30, 2019. 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 \$267.4 billion as of June 30, 2020) over the State's total assets and deferred outflows of resources (approximately \$69.6 billion as of June 30, 2020). The State's total revenues from governmental activities increased by approximately \$7.7 billion during Fiscal Year 2020, while the State's governmental activities expenses increased approximately \$8.3 billion during Fiscal Year 2020. See the Fiscal Year 2020 Annual Report for additional information.

**HISTORY OF GENERAL FUNDS REVENUES AND EXPENDITURES**

Tables II-4 and II-5, 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 2021 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 under "MEASUREMENT BASES" in Section 1 of this Part II, budget basis statements differ materially from those prepared on the basis of GAAP.

Table II-4 lists cash basis revenues which include cash receipts from State sources, statutory transfers in, and federal sources, both receipts and transfers in. Table II-4 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 II-5.

Table II-5 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 II-5 also reports transfers out. Table II-5 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 II-4.

For an operating statement explaining the changes during Fiscal Year 2021 in both cash balance as well as fund balance, reflecting the cash basis and budget basis, respectively, see Table II-7 herein.

**TABLE II-4  
GENERAL FUNDS ANALYSIS OF REVENUES  
(\$ in Millions) (Cash Basis)  
June 30 Fiscal Year End**

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2021 INCREASE OR DECREASE AMOUNT	FY2021 PERCENT	FY2021 WHERE THE DOLLAR CAME FROM
<b>STATE SOURCES:</b>								
<b>CASH RECEIPTS:</b>								
Income Taxes								
Individual .....	\$12,737	\$17,725	\$19,236	\$18,471	\$22,525	\$4,054	21.9%	
Corporate.....	1,328	2,017	2,389	2,081	3,563	1,482	71.2	
Total, Income Taxes .....	14,065	19,742	21,625	20,552	26,088	5,536	26.9	55.2%
Sales Taxes.....	8,043	7,810	8,409	8,255	9,368	1,113	13.5	19.8
Short-Term Borrowing .....	0	0	0	1,198	0	(1,198)	N/A	0.0
<b>Other Sources</b>								
Public Utility Taxes .....	884	896	863	831	752	(79)		
Insurance Tax & Fees .....	391	432	396	361	480	119		
Inheritance Tax (gross) .....	261	358	388	283	450	167		
Cigarette Taxes .....	353	344	361	267	281	14		
Corporate Franchise Tax & Fees.....	207	207	247	210	244	0		
Cook County Intergovernmental Transfer..	244	244	244	244	322	112		
Liquor Gallonage Taxes .....	171	172	172	177	177	0		
Investment Income.....	36	79	145	137	57	(80)		
Other Taxes, Licenses, Fees & Earnings	725	719	710	760	339	(421)		
Total, Other Sources .....	3,272	3,451	3,526	3,270	3,102	(168)	(5.1)	6.6
<b>TOTAL, CASH RECEIPTS.....</b>	<b>\$25,380</b>	<b>\$31,003</b>	<b>\$33,560</b>	<b>\$33,275</b>	<b>\$38,558</b>	<b>\$ 5,283</b>	<b>15.9%</b>	<b>81.6%</b>
<b>TRANSFERS IN FROM OTHER STATE FUNDS:</b>								
Lottery Fund.....	\$ 720	\$ 719	\$ 731	\$ 630	\$ 777	\$ 147		
Emergency Borrowing Fund.....	0	0	0	0	1,998	1,998		
Treasurer's Investments .....	0	0	700	400	400	0		
Build Illinois Fund.....	320	328	348	321	263	(58)		
Income Tax Refund Fund .....	4	1	327	617	281	(336)		
State Gaming Fund .....	270	272	269	195	0	(195)		
Interfund Borrowing .....	0	533	250	462	0	(462)		
Capital Projects Fund.....	35	440	190	443	20	(423)		
State Whistleblower Reward and Protection Fund .....	10	10	62	26	6	(20)		
<b>Treasurer's Investments – Contingency</b>								
Fund Exchange .....	0	0	50	0	0	0		
Warrant Escheat Fund.....	9	9	22	23	26	3		
Cannabis Regulation Fund.....	0	0	0	18	71	53		
McCormick Place Expansion Project Fund..	14	7	22	27	19	(8)		
Metropolitan Exposition Auditorium & Office Building Fund.....	13	12	15	29	32	3		
Underground Storage Tank Fund .....	0	0	10	10	10	0		
Illinois Sports Facilities .....	48	6	9	9	0	(9)		
Solid Waste Management Fund .....	0	0	5	5	5	0		
Protest Fund.....	3	2	3	0	4	4		
Budget Stabilization Fund.....	0	0	0	0	0	0		
Income Tax Bond Fund .....	0	2,500	0	0	0	0		
Budget Implementation Acts.....	0	269	0	60	0	(60)		
Hospital Provider Fund .....	80	80	0	0	0	0		
All Other Funds.....	16	22	22	19	36	17		
<b>TOTAL, TRANSFERS IN.....</b>	<b>\$ 1,542</b>	<b>\$ 5,210</b>	<b>\$ 3,035</b>	<b>\$ 3,294</b>	<b>\$ 3,948</b>	<b>\$654</b>	<b>19.9%</b>	<b>8.4%</b>
<b>TOTAL, STATE SOURCES.....</b>	<b>\$26,922</b>	<b>\$36,213</b>	<b>\$36,595</b>	<b>\$36,569</b>	<b>\$42,506</b>	<b>\$5,937</b>	<b>16.2%</b>	<b>99.0%</b>
<b>FEDERAL SOURCES:</b>								
<b>CASH RECEIPTS:</b>								
Department of Healthcare and Family Services.....	\$ 2,288	\$ 4,985	\$ 3,335	\$ 3,265	\$ 4,041	\$ 776		
Department of Human Services .....	156	246	190	258	277	19		
All Other Agencies .....	7	6	5	6	5	(1)		
<b>TOTAL, CASH RECEIPTS.....</b>	<b>\$ 2,451</b>	<b>\$ 5,237</b>	<b>\$3,530</b>	<b>\$3,529</b>	<b>\$4,323</b>	<b>\$ 794</b>		
<b>TRANSFERS IN:</b>								
Federal Trust Funds.....	\$ 32	\$ 1	\$ 70	\$ 22	\$ 421	\$ 399		
<b>TOTAL, FEDERAL SOURCES.....</b>	<b>\$ 2,483</b>	<b>\$ 5,238</b>	<b>\$ 3,600</b>	<b>\$ 3,551</b>	<b>\$ 4,744</b>	<b>\$ 1,193</b>	<b>33.6%</b>	<b>10.0%</b>
<b>TOTAL, REVENUES.....</b>	<b>\$29,405</b>	<b>\$41,451</b>	<b>\$40,195</b>	<b>\$40,120</b>	<b>\$47,250</b>	<b>\$ 7,130</b>	<b>17.8%</b>	<b>100.0%</b>
Short-term Borrowing.....	0	0	0	1,198	0	(1,198)		
Interfund Borrowing .....	0	533	250	462	0	(462)		
Treasurer's Investments .....	0	0	700	400	400	0		
Treasurer's Investments – Contingency .....								
Fund Exchange .....	0	0	50	0	0	0		
<b>TOTAL, BASE REVENUES.....</b>	<b>\$29,405</b>	<b>\$40,918</b>	<b>\$39,195</b>	<b>\$38,060</b>	<b>\$46,850</b>	<b>\$ 8,790</b>	<b>23.1%</b>	

Source: Traditional Budgetary Financial Reports of the States for the Fiscal Years Ended June 30, 2017 through June 30, 2021.

Note: Beginning with Fiscal Year 2018 (pursuant to Public Act 100-23) the number of funds that make up the state's General Funds was expanded from four to seven; therefore, the General Funds now reflect the four original funds (General Revenue Fund, General Revenue-Common School Special Account Fund, Education Assistance Fund, and Common School Fund) and three additional funds (Fund for the Advancement of Education, Commitment to Human Services Fund, and Budget Stabilization Fund). Base Revenues equal Total Revenues less the adjustment items listed below "Total, Revenues" above.

**TABLE II-5**  
**GENERAL FUNDS ANALYSIS OF EXPENDITURES**  
**(\$ in Millions) (Budget Basis)**  
**June 30 Fiscal Year End**

WARRANTS ISSUED:	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY2021		FY2021 WHERE THE DOLLAR WAS SPENT
						INCREASE OR DECREASE AMOUNT	PERCENT	
<b>BY AGENCY:</b>								
State Board of Education.....	\$ 7,211	\$ 8,201	\$ 8,376	\$ 8,866	\$ 8,873	(13)	(0.1)	19.9%
Healthcare and Family Services.....	5,972	7,601	7,633	6,743	7,548	805	11.9	16.9
Teachers Retirement System.....	4,096	4,210	4,592	4,946	5,278	332	6.7	11.9
Human Services.....	3,283	3,640	3,740	4,001	4,228	227	5.7	9.5
Higher Education Agencies:								
Universities Retirement System.....	1,506	1,418	1,445	1,644	1,785	141	8.6	
University of Illinois.....	651	583	595	622	622	0	0.0	
Student Assistance Commission.....	365	407	436	499	530	31	6.2	
Community College Board.....	239	204	211	247	244	(3)	(1.2)	
Southern Illinois University.....	200	181	184	193	194	1	0.5	
All Other.....	398	348	355	373	372	(1)	(0.3)	
Total, Higher Education Agencies.....	3,359	3,141	3,226	3,578	3,747	169	4.7	8.4
All Other Agencies:								
Central Management Services.....	182	1,960	2,101	2,082	2,078	(4)	(0.2)	
Corrections.....	1,076	1,890	1,519	1,490	1,705	67	4.1	
State Employees Retirement System....	1,309	1,319	1,395	1,638	1,502	12	0.8	
Aging.....	590	893	919	984	1,055	71	7.2	
Children and Family Services.....	684	746	780	839	999	160	19.1	
Judicial Agencies.....	502	511	521	580	609	29	5.0	
State Police.....	219	258	265	277	271	(6)	(2.2)	
Secretary of State.....	231	249	257	257	268	11	4.3	
Other Agencies.....	710	790	1,063	1,079	1,216	137	12.7	
Total, All Other Agencies.....	5,503	8,616	8,820	9,226	9,703	477	5.2	21.8
Prior Year Adjustments.....	(3)	(28)	(26)	(17)	(50)	(33)	N/A	(0.1)
<b>BY CATEGORY:</b>								
Awards and Grants.....	\$21,014	\$23,341	\$24,224	\$24,917	\$26,212	\$ 1,295	5.2%	58.9%
Operations.....	8,402	12,059	12,148	12,456	13,156	700	5.6	29.5
Permanent Improvements and								
Highway Construction.....	8	4	10	7	8	1	14.3	0.0
Refunds.....	0	5	5	0	1	1	N/A	0.0
Prior Year Adjustments.....	(3)	(28)	(26)	(17)	(50)	(33)	N/A	(0.1)
<b>BY FUNCTION:</b>								
Education.....	\$14,679	\$15,564	\$16,432	\$17,667	18,164	497	2.8	40.8
Health and Social Services.....	10,676	13,042	13,281	12,787	14,047	1,260	9.9	31.6
General Government.....	2,058	3,817	4,047	4,274	4,390	116	2.7	9.9
Public Protection and Justice.....	1,921	2,807	2,467	2,516	2,557	41	1.6	5.7
Environment and Business Regulation.....	53	66	79	63	152	79	108.2	0.3
Employment and Economic Development.....	37	104	70	73	66	3	4.8	0.1
Transportation.....	0	4	6	0	1	1	N/A	0.0
Refunds.....	0	5	5	0	0	0	N/A	0.0
Prior Year Adjustments.....	(3)	(28)	(26)	(17)	(50)	(33)	N/A	(0.1)
<b>TOTAL, WARRANTS ISSUED.....</b>	<b>\$29,421</b>	<b>\$35,381</b>	<b>\$36,361</b>	<b>\$37,363</b>	<b>39,327</b>	<b>1,964</b>	<b>5.3</b>	<b>88.3</b>
<b>TRANSFERS OUT.....</b>	<b>4,636</b>	<b>3,610</b>	<b>3,906</b>	<b>2,596</b>	<b>5,200</b>	<b>2,604</b>	<b>100.3</b>	<b>11.7</b>
<b>TOTAL, EXPENDITURES.....</b>	<b>\$34,057</b>	<b>\$38,991</b>	<b>\$40,267</b>	<b>\$39,959</b>	<b>44,527</b>	<b>4,568</b>	<b>11.4</b>	<b>100.0</b>
Repayment of Interfund Borrowing.....	15	128	10	280	127	(153)	N/A	
Treasurer's Investments.....	0	0	700	0	800	800	N/A	
Treasurer's Investments - Contingency								
Fund Exchange.....	0	0	50	0	0	0	0	
Repayment of Short-Term Borrowing.....	0	0	0	0	0	1,209	N/A	
<b>TOTAL, BASE EXPENDITURES.....</b>	<b>\$34,042</b>	<b>\$38,863</b>	<b>\$39,507</b>	<b>\$39,679</b>	<b>\$42,391</b>	<b>\$2,712</b>	<b>6.8%</b>	

Source: Traditional Budgetary Financial Reports of the States for the Fiscal Years Ended June 30, 2017 through June 30, 2021.

Note: Beginning with Fiscal Year 2018 (pursuant to Public Act 100-23) the number of funds that make up the state's General Funds was expanded from four to seven; therefore, the General Funds now reflect the four original funds (General Revenue Fund, General Revenue-Common School Special Account Fund, Education Assistance Fund, and Common School Fund) and three additional funds (Fund for the Advancement of Education, Commitment to Human Services Fund, and Budget Stabilization Fund). Base Expenditures equal Total Expenditures less the adjustment items listed below "Total Expenditures" above.

## ACCOUNTS PAYABLE

As described below, Table II-6 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 Annual Report, the General Funds of the State also carry other liabilities not detailed in Tables II-4, II-5 and II-6. 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 II-6 includes General Funds 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. Based on the budgetary performance of the State during Fiscal Year 2021, this amount is projected to be lower for Fiscal Year 2021 and will be available with the publication of the Fiscal Year 2021 Annual Report.

**TABLE II-6**  
**(Budget Basis)**  
**ACCOUNTS PAYABLE**  
**AS OF THE END OF EACH FISCAL YEAR 2016-2021**  
**(\$ in millions)**

	END OF FISCAL YEAR					
	FY2016	FY2017	FY2018	FY2019	FY2020	FY 2021 <sup>3</sup>
General Funds Budget Basis Accounts Payable <sup>1</sup>	\$3,789	\$ 9,061	\$5,823	\$6,179	\$6,282	\$3,779
General Funds Section 25 Liabilities <sup>2</sup>	3,307	5,932	2,004	1,953	1,230	1,068
<b>Total General Funds Accounts Payables</b>	<b>\$7,096</b>	<b>\$14,993</b>	<b>\$7,827</b>	<b>\$8,132</b>	<b>\$7,512</b>	<b>\$4,847</b>
Section 25 Liabilities - Other State Funds	\$ 956	\$ 162	\$ 214	\$ 224	\$ 208	N/A

Source: Illinois Office of the Comptroller. Section 25 Liabilities are reported in the Annual Report. Budget Basis Accounts Payable are reported in 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.
- 3 Represents the State's estimate of Fiscal Year 2021 General Funds Section 25 Liabilities and is subject to change. Final Fiscal Year 2021 information will be available in the Fiscal Year 2021 Annual Report, including Section 25 Liabilities – Other State Funds.



Table II-7 effectively reflects an operating statement that explains the changes during Fiscal Year 2021 in both cash balance as well as fund balance, reflecting the cash basis and budget basis, 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 II-4, while Expenditures reflect cash disbursed during Fiscal Year 2021 which includes prior year Lapse Period expenditures (detailed in the middle column) as well as expenditures of Fiscal Year 2021.

The right hand column of Table II-7, labeled “Budgetary Balance Concept,” reflects the budget basis results and change in budget basis fund balance during Fiscal Year 2021. 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 II-5.

Lapse period expenditures are listed in the middle column of Table II-7. Lapse period expenditures are in substance “accounts payable” as these are expenditures processed after June 30th but reflect costs incurred prior to June 30th. The end of this 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 II-7  
GENERAL FUNDS SUMMARY OF TRANSACTIONS  
FISCAL YEAR ENDED JUNE 30, 2021**

AVAILABLE BALANCE CONCEPT	BEGINNING BALANCES	BUDGETARY BALANCE CONCEPT
<p><b>\$ 531</b> .....</p>	<p><b>Available Cash Balance on June 30, 2020</b></p> <p>Less Lapse Period – Warrants Issued from Fiscal Year 2020 Appropriations and Fiscal Year 2020 Transfers Out:</p> <p style="padding-left: 20px;">Operations .....</p> <p style="padding-left: 20px;">Awards and Grants .....</p> <p style="padding-left: 20px;">Permanent Improvements .....</p> <p style="padding-left: 20px;">Receipt Adjustment (June 30) .....</p> <p style="padding-left: 20px;">Vouchers Payable (June 30) .....</p> <p style="padding-left: 20px;">Net Transfers Payable (June 30) .....</p> <p style="padding-left: 20px;">Total .....</p>	<p><b>\$ (5,751)</b></p>
	<p>\$ 477</p> <p>1,066</p> <p>2</p> <p>0</p> <p>3,910</p> <p><u>827</u></p> <p>\$6,282</p>	
	<p><b>Fund Balance – Budgetary Basis to begin Fiscal Year 2021</b> .....</p>	<p><b>\$ (5,751)</b></p>
	<p><b>PLUS REVENUES</b></p>	
	<p>State Sources:</p>	
	<p>Cash Receipts:</p>	
<p>\$26,088 .....</p> <p>9,368 .....</p> <p>3,102 .....</p> <p><u>3,948</u> .....</p> <p>42,506 .....</p>	<p>Income Taxes .....</p> <p>Sales Taxes .....</p> <p>Other Sources .....</p> <p>Transfers In .....</p> <p>Total, State Sources .....</p>	<p>\$26,088</p> <p>9,368</p> <p>3,102</p> <p><u>4,172</u></p> <p>42,730</p>
<p>\$ 4,323 .....</p> <p><u>421</u> .....</p> <p>4,744 .....</p>	<p>Federal Sources:</p> <p>Cash Receipts .....</p> <p>Transfers In .....</p> <p>Total, Federal Sources .....</p>	<p>\$ 4,323</p> <p><u>421</u></p> <p>\$ 4,744</p>
<p><b>\$47,250</b> .....</p>	<p><b>Total, Revenues</b> .....</p>	<p><b>\$47,474</b></p>
	<p><b>LESS EXPENDITURES</b></p>	
<p>From FY 2021 Appropriations and Lapse Period Spending from FY 2020 Appropriations</p> <p>\$12,726 .....</p> <p>26,270 .....</p> <p>1 .....</p> <p>8 .....</p> <p>2,199 .....</p> <p><u>(50)</u> .....</p> <p>\$41,154</p> <p><u>5,652</u> .....</p> <p><b>\$46,806</b> .....</p>	<p>Operations .....</p> <p>Awards and Grants .....</p> <p>Refunds .....</p> <p>Permanent Improvements .....</p> <p>Vouchers Payable Adjustment .....</p> <p>Prior Year Adjustments .....</p> <p>Total, Warrants Issued .....</p> <p>Transfers Out .....</p> <p><b>Total, Expenditures</b> .....</p>	<p>From Fiscal Year 2021 Appropriations</p> <p>\$13,156</p> <p>26,212</p> <p>1</p> <p>8</p> <p>0</p> <p><u>(50)</u></p> <p>\$39,327</p> <p><u>5,200</u></p> <p><b>\$44,527</b></p>
	<p><b>EQUALS ENDING BALANCES</b></p>	
<p><b>\$ 975</b> .....</p>	<p><b>Available Cash Balance on June 30, 2021</b></p> <p>Less Lapse Period – Warrants Issued from Fiscal Year 2021 Appropriations and Fiscal Year 2021 Transfers Out:</p> <p style="padding-left: 20px;">Operations .....</p> <p style="padding-left: 20px;">Awards and Grants .....</p> <p style="padding-left: 20px;">Permanent Improvements .....</p> <p style="padding-left: 20px;">Receipt Adjustment (June 30) .....</p> <p style="padding-left: 20px;">Vouchers Payable (June 30) .....</p> <p style="padding-left: 20px;">Net Transfers Payable (June 30) .....</p> <p style="padding-left: 20px;">Total .....</p>	<p><b>\$ (2,804)</b></p>
	<p>\$ 907</p> <p>1,008</p> <p>2</p> <p>0</p> <p>1,712</p> <p><u>150</u></p> <p>\$3,779</p>	
	<p><b>Fund Balance – Budgetary Basis to begin Fiscal Year 2022</b> .....</p>	<p><b>\$ (2,804)</b></p>

Source: Traditional Budgetary Financial Report Fiscal Year 2021; unaudited.

Table II-8, which is presented below, is a General Funds Reconciliation among cash, budgetary and GAAP basis of accounting for Fiscal Year 2020. See “AUDITED FINANCIAL STATEMENTS” in the body of this Official Statement. The General Funds Reconciliation for Fiscal Year 2021 will be available with the State’s Fiscal Year 2021 Annual Comprehensive Financial Report.

**TABLE II-8  
STATE OF ILLINOIS  
GENERAL FUNDS RECONCILIATION – FISCAL YEAR 2020  
(\$ in thousands)**

	Cash Basis	Adjustments for Budgetary Basis	Budgetary Basis	Adjustments for GAAP	GAAP Basis
<b>Revenues:</b>					
Income Taxes (net)	\$20,552,111		\$20,552,111	\$2,003,438	\$22,555,549
Sales Taxes (net)	8,255,205		8,255,205	299,205	8,554,410
Public Utility Taxes (net)	830,501		830,501	8,068	838,569
Federal government (net)	3,529,536		3,529,536	11,920,468	15,450,004
Other (net)	2,437,354		2,437,354	5,694,037	8,131,391
Total revenues	\$35,604,707		\$35,604,707	\$19,925,216	\$55,529,923
<b>Expenditures:</b>					
<b>Current:</b>					
Health and Social Services	\$12,820,816	\$(50,230)	\$12,770,586	\$15,311,169	\$28,081,755
Education	17,343,842	323,241	17,667,083	955,043	18,622,126
General Government	4,585,860	(316,822)	4,269,038	(1,925,415)	2,343,623
Employment and Economic Development	71,983	665	72,648	34,729	107,377
Transportation	1,122	(1,122)		540,787	540,787
Public Protection and Justice	2,611,913	(102,029)	2,509,884	1,044,319	3,554,203
Environment and Business Regulation	85,657	(22,893)	62,764	85,608	148,372
<b>Debt Service:</b>					
Principal				2,019	2,019
Interest				7,464	7,464
Capital Outlays	14,194	(2,414)	11,780	30,788	42,568
Total expenditures	\$37,535,387	\$(171,604)	\$37,363,783	\$16,086,511	\$53,450,294
Excess of revenues over expenditures	\$(1,930,680)	\$171,604	\$(1,759,076)	\$3,838,705	\$2,079,629
<b>Other sources (uses) of financial resources:</b>					
Transfers-in	\$10,835,832	\$(199,384)	\$10,636,448	\$(8,600,455)	\$2,035,993
Transfers-out	(10,037,801)	(76,341)	(10,114,142)	6,980,145	(3,133,997)
Proceeds from short-term borrowings	1,198,405		1,198,405	(1,198,405)	
Capital lease financing				2,429	2,429
Net other sources (uses) of financial resources	1,996,436	(275,725)	1,720,711	(2,816,286)	(1,095,575)
Excess of revenues over expenditures and net other sources (uses) of financial resources	65,756	(104,121)	(38,365)	1,022,419	984,054
Fund balances (deficit), July 1, 2019	\$465,638	\$(6,178,755)	\$(5,713,117)	\$(1,803,480)	\$(7,516,597)
Increase (decrease) for changes in inventories				108,333	108,333
Restatement	806,213	(761,497)	44,716	(7,561,313)	(7,516,597)
Fund balances (deficit), June 30, 2020	\$531,394	\$(6,282,876)	\$(5,751,482)	\$(672,728)	\$(6,424,210)

Source: Illinois Office of the Comptroller

## GENERAL FUNDS RECONCILIATION—TABLE II-8

Table II-8 reconciles the three measurement bases used by the State: cash basis, budget basis and GAAP basis. As described above, Tables II-4, II-5 and II-7 herein reflect underlying detail between the cash and budget bases. Table II-8 draws the revenues and expenditures from those tables and incorporates GAAP basis revenues and expenditures drawn from the Fiscal Year 2020 Annual Report.

Two adjustment columns are also incorporated in Table II-8 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 II-8 also reports the excess of revenues over expenditures and net other sources (uses) of financial resources (i.e., operating surplus or deficit) for Fiscal Year 2020 for the three bases equaling an approximately \$66 million surplus on the cash basis, an approximately \$38 million deficit on the budget basis and approximately \$984 million surplus on the GAAP basis. Similarly, ending cash basis fund balance surplus of approximately \$531 million, budget basis fund balance deficit of approximately \$5.751 billion and GAAP basis fund balance deficit of approximately \$6.424 billion, are shown in the bottom line of Table II-8.

While Table II-8 only incorporates select GAAP basis data, the complete Annual Report for Fiscal Year 2020, 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 Annual Report for Fiscal Year 2020 was prepared by the Comptroller and examined and certified by the Auditor General. For the Fiscal Year 2020, the Auditor General's opinion was qualified with respect to the opinion units related to business-type activities, the unemployment compensation trust fund and The Illinois Toll Highway Authority, a discretely presented component unit, and were unmodified with respect to all other opinion units, including the opinion units related to the State's Governmental Activities and the General Fund.

When reviewing Table II-8, the following explanatory notes should be considered in connection with the review of the Annual Report for Fiscal Year 2020 (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.

### *Note 2 – Cash to Budget Adjustments*

The budgetary basis fund balance deficit of \$5,751,482 equals the June 30, 2020, cash balance of \$531,394 less cash Lapse Period expenditures and transfers-out of \$6,282,876. Adjustments from the cash basis of accounting for Fiscal Year 2020 to the budgetary basis include adding Fiscal Year 2020 Lapse Period spending and subtracting Fiscal Year 2019 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 2020 “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. In addition, Public Act 101-0636 extended the Lapse Period to September 30 for Fiscal Year 2020 to allow the State time to pay

Fiscal Year 2020 expenditures. Lapse Period transfers are statutory transfers approved on or prior to June 30, 2020, but not made until after June 30, 2020.

*Note 3 – Budget to GAAP Adjustments*

A reconciliation of the budgetary basis versus GAAP is presented in the Notes to Required Supplemental Information in the Comprehensive Annual Financial Report. Significant differences noted in the financial statements include recording accounts receivable, 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.

Tables II-4, II-5, II-6, II-7, II-8 and the State's Annual Report, as well as accompanying footnotes, taken together, should be referenced for a more complete understanding of the financial statements.

## SECTION 4 GENERAL FUNDS REVENUES

### TAX REVIEW

The State 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, 38th Edition April 2022* published by the Commission on Government Forecasting and Accountability Research Unit. (See APPENDIX F—WEBSITE INDEX.) The discussion below is from the Handbook.

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). MFT and vehicle registration fees support GO Bonds issued for Road Fund purposes under Section 4(a) and Section 4(e) 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.

Public Act 102-700, effective April 19, 2022, included a permanent expansion of the earned income tax credit as a component of the larger tax relief plan enacted as part of the Fiscal Year 2023 Budget. Effective beginning with tax year 2023, the Act increases the State credit from 18 to 20 percent of the federal credit and expands the number of households covered. These changes are estimated to save taxpayers \$100 million annually.

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

- 6.16% to the Local Government Distributive Fund.
- 7.3% to the Education Assistance Fund.
- 3.3% to the Fund for the Advancement of Education.
- 3.3% to the Commitment to Human Services Fund.
- 5% of collections from audits to the Tax Compliance and Administration Fund.
- The remainder 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—Personal Property Tax Replacement Tax*” 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.

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 pursuant to Public Act 100-23 and 5% for Fiscal Year 2019 and Fiscal Year 2020 pursuant to Public Act 100-587 and Public Act 101-010, respectively).
- 7.3% to the Education Assistance Fund.
- 5% of collections from audits to the Tax Compliance and Administration Fund.
- The remainder 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. In addition to these taxes applying to Illinois’ retailers, out-of-state sellers whose gross receipts from sales are \$10,000 or more or retailers with 200 or more separate transactions are required to register with the IDOR and collect and remit state use tax. This change followed the U.S. Supreme Court’s June 2018 ruling in *South Dakota v. Wayfair, Inc.*, which upheld a South Dakota statute that imposed tax collection obligations on remote retailers that met specific selling thresholds but had no physical presence in the state. Since making this change in 2018, the State has further expanded imposition of such taxes to include marketplace facilitators that meet the thresholds set forth in *Wayfair*. This change, which impacted online platforms like eBay, Etsy and Amazon, clarified the responsibility of these marketplace facilitators to collect and remit State Use Tax on any sales made by third parties into Illinois via their platform. Effective January 1, 2021, marketplace facilitators received the added responsibility of remitting both state and local retailers’ occupation tax on transactions made over their platforms. The collection of these taxes is administered by the IDOR (35 ILCS 105/1 *et seq.* (use tax); 120/1 *et seq.* (retailers occupation tax); 110/1 *et seq.* (service use tax); and 115/1 *et seq.* (service occupation tax)).

Sales are currently taxed 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 (the “State Share of Sales Tax”) 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) and by 5% for Fiscal Year 2019, Fiscal Year 2020 and Fiscal Year 2021 pursuant to Public Act 100-587, Public Act 101-010 and Public Act 101-636, respectively.

- 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) and by 5% for Fiscal Year 2019, Fiscal Year 2020 and Fiscal Year 2021 pursuant to Public Act 100-587, Public Act 101-010 and Public Act 101-636, respectively.
- Less than 1% goes to Other State Funds.
- The remainder to the General Funds.

### *Motor Fuel Taxes*

MFT are imposed on gasoline and special fuels, including diesel fuel. Prior to July 1, 2019, the rate imposed on gasoline was \$0.19/gallon, and the rate on special fuels was \$0.215/gallon. Public Act 101-032 permanently increased the rate for gasoline to \$0.38/gallon, such rate to be increased on July 1 of each subsequent year by an amount equal to the percentage increase, if any, in the CPI-U for all items for the 12 months ending in March of each year. Public Act 101-032 permanently increased the rate for special fuels to an amount equal to the rate charged for gasoline, plus \$0.075/gallon (initially, \$0.455/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 MFT 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, with the remainder deposited to the Road Fund.
- Amounts generated by the increase in the tax on gasoline (all amounts over \$0.19/gallon) will be transferred to the State's Transportation Renewal Fund.
  - 80% of the moneys in the Transportation Renewal Fund will be used for highway maintenance, highway construction, bridge repair, congestion relief and construction of aviation facilities (60% of which will be awarded by the Illinois Department of Transportation ("IDOT") after deposit or transfer into the State Construction Account and 40% of which will be distributed to local municipalities, counties and road districts).
  - 20% of the moneys in the Transportation Renewal Fund will be allocated to local transportation districts, including the Regional Transportation Authority, for projects.
- \$47 million for Grade Crossing Protection Fund and the State Boating Act Fund.
- Sufficient amounts for administrative costs of the IDOR and the IDOT.
- 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%).

Public Act 102-700, effective April 19, 2022, made two one-time changes to the MFT rate calculation and distribution of revenues as a component of the larger tax relief plan enacted as part of the Fiscal Year 2023 Budget. First, the Act removes the scheduled July 1, 2022, increase to the MFT rate and adds a scheduled increase on January 1, 2023, effectively delaying the calculated increase by 6 months. This delay is estimated to save consumers \$70 million. Second, the Act redirects to the Transportation Renewal Fund for Fiscal Year 2023 only the 1.1 cents in MFT and environmental impact fees that normally are deposited into the Underground Storage Tank Fund to the Transportation Renewal Fund to help replace the reduced revenues.

*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% of these fees are paid into the Road Fund, 31% to the State Construction Account Fund, 14% to the Capital Projects Fund, and the rest to other funds of the State. Beginning with 2021 registrations, Public Act 101-032 permanently increased motor vehicle registration fees from \$101 annually to \$151 annually, with large truck and trailer registration fees going as high as \$3,191 for an 80,000-pound truck. In addition, beginning on January 1, 2020, electric vehicles registration fees were brought in line with regular registration fees, plus an additional \$100 per year in lieu of the payment of MFT, which funds, aside from a \$1 deposit into the Secretary of State Special Services Fund, will be deposited into the Road Fund. This change increased the electric vehicle registration fee amount to \$251.

*Note 1: Income Tax Refund Fund*

The Income Tax Refund Fund is funded by a portion of both the CIT (17.5% of gross CIT receipts for Fiscal Year 2018; 15.5% of gross CIT receipts for Fiscal Year 2019; 14.25% of gross receipts for Fiscal Year 2020; 14.0% of gross receipts for Fiscal Year 2021; 15.0% of gross receipts for Fiscal Year 2022) and IIT (9.8% of gross IIT receipts for Fiscal Year 2018; 9.7% of gross IIT receipts for Fiscal Year 2019; 9.5% of gross receipts for Fiscal Year 2020; 9.0% of gross receipts for Fiscal Year 2021; 9.25% of gross receipts for Fiscal Year 2022) to fund tax refunds due to tax filers. The rates are set by formula, but the formula can and has frequently been overridden by the General Assembly to set the rates at a particular value. 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 moneys being returned to the General Revenue Fund in Fiscal Year 2018 in the amount of \$1.4 million, \$327 million in Fiscal Year 2019, \$617 million in Fiscal Year 2020 and \$281 million in Fiscal Year 2021. If insufficient funds are available in the Income Tax Refund Fund, 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 approximately \$1,317 million as of May 1, 2022. As of May 1, 2022, 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 Tax 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 Tax Replacement Taxes*

The Illinois Constitution 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.

**RECENT HISTORY OF GENERAL FUNDS REVENUES**

The following tables II-9 and II-10 provide historical information on State cash receipts and disbursements in the State’s General Funds and Road Fund.

**TABLE II-9**  
**CASH RECEIPTS AND DISBURSEMENT – GENERAL FUNDS<sup>1</sup>**  
**FISCAL YEARS 2017-2021**  
**(\$ in millions)**  
**June 30 Fiscal Year End**

	FY2017	FY2018	FY2019	FY2020	FY2021
<b>Available Balance, Beginning</b>	<b>967</b>	<b>1,368</b>	<b>125</b>	<b>466</b>	<b>531</b>
<b>Cash Receipts</b>					
State Revenues					
Income Tax	14,993	19,742	21,625	20,552	26,088
Sales Tax	8,043	7,810	8,409	8,255	9,368
Public Utility Tax	884	896	863	831	752
Cigarette Tax	353	344	361	267	281
Inheritance Tax	261	358	388	283	450
Liquor Gallonage Tax	171	172	172	177	177
Insurance Tax & Fees	391	432	396	361	480
Corporate Franchise Tax	207	207	247	210	322
Investment Income	37	79	145	137	57
Intergovernmental Transfers	244	244	244	244	244
Other	725	719	710	761	339
<b>Total, State Revenues</b>	<b>26,308</b>	<b>31,003</b>	<b>33,560</b>	<b>32,078</b>	<b>38,558</b>
Federal Revenues					
Medicaid & Social Services	2,483	5,238	3,600	3,551	4,744
Transfers In					
From Other State Funds <sup>2</sup>	1,542	4,677	2,035	2,431	1,550
<b>Total Revenues</b>	<b>30,333</b>	<b>40,918</b>	<b>39,195</b>	<b>38,060</b>	<b>44,852</b>
Interfund Borrowing	0	533	250	462	0
Treasurer's Investments	0	0	750	400	400
Short-Term Borrowing	0	0	0	1,198	1,998
<b>Total Cash Receipts<sup>3</sup></b>	<b>30,333</b>	<b>41,451</b>	<b>40,195</b>	<b>40,120</b>	<b>47,250</b>
<b>Cash Disbursements</b>					
Expenditures for Appropriations					
Operations	8,061	11,464	12,723	12,822	12,727
Awards and Grants	21,943	23,626	24,223	24,338	26,270
Permanent Improvements	6	6	5	10	8
Refunds	0	5	5	0	1
Vouchers Payable Adjustment	(4,017)	3,721	(1,075)	382	4,860
Prior Year Adjustments	(5)	(28)	(27)	(17)	(50)
Transfers Out					
Debt Service Funds <sup>4</sup>	2,235	2,899	2,701	1,870	1,529
Other State Funds <sup>2</sup>	1,696	873	526	363	517
Repayment of Interfund Borrowing	15	128	10	280	140
Repayment of Treasurer's Investments	0	0	763	7	805
<b>Total Cash Disbursements</b>	<b>29,933</b>	<b>42,694</b>	<b>39,854</b>	<b>40,055</b>	<b>46,806</b>
<b>Cash Balance, Ending</b>	<b>1,368</b>	<b>125</b>	<b>466</b>	<b>531</b>	<b>975</b>

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

<sup>1</sup> Prior to Fiscal Year 2018, General Funds included the General Revenue Fund, Common School Fund, General Revenue-Common School Special Account Fund and the Education Assistance Fund. Starting in Fiscal Year 2018, General Funds also includes Commitment to Human Services Fund, Fund for the Advancement of Education and Budget Stabilization Fund. All Fiscal Years in this table represent the current definition of General Funds.

<sup>2</sup> Excludes transfers to and from the Budget Stabilization Fund.

<sup>3</sup> See "State Indebtedness Information" herein for additional information.

<sup>4</sup> Includes debt service on 2003 and 2011 pension funding bonds. The 2011 pension bonds matured in Fiscal Year 2019

**TABLE II-10**  
**CASH RECEIPTS AND DISBURSEMENTS – ROAD FUND**  
**FISCAL YEARS 2017-2021**  
**(\$ in millions)**  
**June 30 Fiscal Year End**

	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
<b>Available Balance, Beginning</b>	<b>1,134</b>	<b>1,213</b>	<b>624</b>	<b>342</b>	<b>520</b>
<b>Cash Receipts</b>					
State Revenues					
Motor Vehicle & License Fees	803	737	852	784	887
Certificates of Title	86	84	84	305	696
Property Sales (City & County)	91	93	89	73	100
Miscellaneous	111	79	65	86	150
<b>Total, State Revenues</b>	<b>1,090</b>	<b>993</b>	<b>1,090</b>	<b>1,248</b>	<b>1,833</b>
Federal Revenues	1,558	1,276	1,262	1,649	1,812
Transfers In					
Motor Fuel Fund	303	305	304	355	332
Other Funds	0	0	102	2	505
Prior Year Refunds	32	6	106	1	2
<b>Total Cash Receipts</b>	<b>2,984</b>	<b>2,579</b>	<b>2,864</b>	<b>3,254</b>	<b>4,484</b>
<b>Cash Disbursements</b>					
Expenditures for Appropriations	2,576	2,562	2,452	2,289	2,608
Transfers Out					
Debt Service Funds <sup>1</sup>	305	349	339	379	431
Other State Funds	23	258	356	408	704
<b>Total Cash Disbursements</b>	<b>2,904</b>	<b>3,169</b>	<b>3,147</b>	<b>3,076</b>	<b>3,742</b>
<b>Cash Balance, Ending</b>	<b>1,213</b>	<b>624</b>	<b>342</b>	<b>520</b>	<b>1,261</b>

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

<sup>1</sup> Reflects debt service on GO Bonds.

**PART III**  
**INDEBTEDNESS OF THE STATE**

This part of this Appendix describes the State’s general obligation and revenue debt, as well as certain debt of other units of government for which the State may be responsible. Section 1 describes the State’s ability to incur general obligation debt and describes the State’s outstanding general obligation debt. Section 2 describes the State’s outstanding revenue bonds. Section 3 describes the various authority indebtedness and moral obligation indebtedness which may impact the State.

**SECTION 1**  
**GENERAL OBLIGATION INDEBTEDNESS**

**CONSTITUTIONAL PROVISIONS RELATING TO BORROWING**

*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”.

Article IX, Section 9(b) of the Illinois Constitution 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.” Both the Bond Act and the CURE Borrowing Act were each enacted pursuant to said Section 9(b).

*Constitutional and Statutory 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 340/0.01 *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 under Section 1.1 of the Short Term Borrowing Act in an amount not exceeding 15% of the State’s appropriations for a Fiscal Year to meet deficits caused by 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 prohibits action

by the General Assembly that would, under contract law, impair the obligations of a contract between the State and its bondholders.

#### **AUTHORITY FOR ISSUANCE OF GO BONDS**

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 \$79,256,839,969, excluding GO Bonds issued for refunding purposes. The State’s authorization to issue GO Bonds was substantially increased during Fiscal Year 2019 as a result of the enactment of the State’s Rebuild Illinois capital plan. See SECTION 2—RECENT FINANCIAL HISTORY—REBUILD ILLINOIS CAPITAL PLAN” in this Part III.

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.

Public Act 100-23 (“P.A. 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 (the “Initial 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 Initial Section 7.6 Bonds in the aggregate principal amount of \$6,000,000,000 were issued on November 8, 2017, and the proceeds were spent to pay vouchers. Public Act 101-30 amended Section 7.6 to authorize the issuance of additional GO Bonds (the “Additional Section 7.6 Bonds” and together with the Initial Section 7.6 Bonds, the “Section 7.6 Bonds”) in the amount of \$1,200,000,000 for the purpose of paying vouchers incurred by the State and accruing interest payable by the State prior to the date on which the Additional Section 7.6 Bonds are issued. None of the Additional Section 7.6 Bonds have been issued at this time. See “FUTURE FINANCINGS” in this Part III.

Public Act 100-587 (“P.A. 100-587”) amended the Bond Act to add Section 7.7, which authorized the additional issuance of GO Bonds in the amount of \$1,000,000,000 (the “Section 7.7 Bonds”), the proceeds of which are to be used to make accelerated pension benefit payments with respect to certain of the Retirement Systems. Public Act 102-0718 (“P.A. 102-718”) authorized the State to issue additional Section 7.7 Bonds in an aggregate principal amount of \$1,000,000,000. The State issued Section 7.7 Bonds in the aggregate principal amount of (i) \$300,000,000 on April 9, 2019, (ii) \$225,000,000 on May 18, 2020, (iii) \$125,000,000 on October 27, 2020, (iv) \$86,977,800 on March 24, 2021, and (v) \$147,655,000 on December 15, 2021. A portion of the June 2022A Bonds in the principal amount of \$125,000,000\* are being issued as Section 7.7 Bonds. See APPENDIX B for additional information.

The respective amounts of GO Bonds authorized and outstanding are set forth in Table III-4—*“General Obligation Bond Authorization.”*

The Bond Act places certain restrictions on the issuance of GO Bonds, including a 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, the Initial Section 7.6 Bonds and Section 7.7 Bonds) exceeds 7% of the aggregate of the appropriations for the General Funds, the State Construction Fund Account and Road Fund for the Fiscal Year immediately prior to the Fiscal

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\* Preliminary, subject to change.

Year of the issuance, provided, however, that such requirement may be waived with the written consent of the Comptroller and the Treasurer.

#### **AUTHORITY FOR ISSUANCE OF CURE BORROWING ACT OBLIGATIONS**

The CURE Borrowing Act authorizes the State to borrow money from the MLF or other Federal Reserve Bank program and issue bonds, notes or other obligations (collectively “CURE Borrowing Act Obligations”) of the State in a principal amount not to exceed \$5,000,000,000. CURE Borrowing Act Obligations are general obligations of the State. The proceeds of CURE Borrowing Act Obligations must be used to (i) meet failures of revenue resulting from the COVID-19 outbreak and to support the emergency response thereto, (ii) provide funds for payment or reimbursement of new or increased costs of State government resulting from the COVID-19 outbreak and the emergency response thereto, (iii) provide funds to respond to any other disaster or emergency or failure of revenues or the costs of essential government services, (iv) provide funds for deposit into the Healthcare Provider Relief Fund for payment of costs payable from such fund, and (v) provide funds for payment or reimbursement of costs payable from the Health Insurance Reserve Fund.

In December 2020, the State issued its General Obligation Notes, Series of December 2020 (the “2020 CURE Borrowing Act Notes”) as CURE Borrowing Act Obligations pursuant to its authority under the CURE Borrowing Act. The 2020 CURE Borrowing Act Notes were issued, in the principal amount of \$2,000,000,000 and were sold to the MLF. The 2020 CURE Borrowing Act Notes had a maturity date of December 15, 2023. The State prepaid all of the 2020 CURE Borrowing Act Notes during Fiscal Years 2021 and 2022.

The State does not anticipate issuing any additional CURE Borrowing Act Obligations. Further, the CURE Borrowing Act provides that CURE Borrowing Act Obligations may only be issued to evidence the borrowing of money by the State from the MLF or other Federal Reserve Bank programs. The MLF’s authorization to lend money expired on December 31, 2020, and no other Federal Reserve Bank program currently exists to lend money to the State in the manner contemplated by the CURE Borrowing Act.

#### **AUTHORITY FOR ISSUANCE OF SHORT-TERM DEBT**

The State is permitted to issue short-term certificates pursuant to the Illinois Constitution and the Short Term Borrowing Act (“Short-Term Debt”). Short-Term Debt issued pursuant to the Short Term Borrowing Act is a general obligation of the State. 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 the Short Term Borrowing Act.

In June 2020, the State issued the 2020 Short-Term Certificates as Short-Term Debt in the principal amount of \$1,200,000,000. The 2020 Short-Term Certificates were issued to meet failures in revenue caused by the COVID-19 pandemic. The 2020 Short-Term Certificates were sold to the MLF following amendments to the Short-Term Borrowing Act in Public Act 101-630. The 2020 Short-Term Certificates were repaid in full by the end of Fiscal Year 2021

The State does not anticipate issuing any Short-Term Debt during Fiscal Year 2022 or Fiscal Year 2023.

## STATE FUNDING OF PAYMENTS FOR GO BONDS

**The provisions of the Bond Act described below are irrevocable 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 General Obligation Bond Retirement and Interest Fund (the “GOBRI Fund”), which is a separate fund in the State Treasury to be used for such repayment.

In addition to GO Bonds, debt service payments on Short-Term Debt and CURE Borrowing Act Obligations are also made from the GOBRI Fund. Amounts in the GOBRI Fund for the payment of Short-Term Debt and CURE Borrowing Act Obligations are held in subaccounts of the GOBRI Fund separate and apart from the amounts on hand to pay debt service on GO Bonds. Holders of Short-Term Debt or CURE Borrowing Act Obligations do not have claim on the amounts held in the GOBRI Fund for the payment of GO Bonds.

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 Sections 4(a) and 4(e) 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 following tables reflect the cash available to make payments on GO Bonds. Table III-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. Table III-2 reflects such available cash in the various State funds as of the end of the second fiscal quarter in each of the last five Fiscal Years, including the current Fiscal Year. See Table III-5 herein for debt service on the outstanding GO Bonds.



**TABLE III-1  
CASH BALANCES BY FUND CATEGORY  
AS OF END OF FISCAL YEARS 2017–2021  
(\$ in millions)**

FUND CATEGORY <sup>1</sup>	FY2017	FY2018	FY2019	FY2020	FY2021
General Funds <sup>2</sup>	\$ 1,077	\$ 125	\$ 466	\$ 531	\$ 975
Highway Funds <sup>3</sup>	1,796	1,391	1,228	1,272	2,568
Special State Funds	3,257	3,530	4,259	3,289	4,699
Bond Financed Funds	541	1,372	1,330	1,642	1,684
Debt Service Funds <sup>4</sup>	1,411	1,752	1,518	1,442	1,893
Revolving Funds	224	103	62	40	116
State Trust Funds	3,261	3,525	3,113	3,344	3,447
<b>June 30th amounts (End of Fiscal Year)</b>	<b>\$11,567</b>	<b>\$11,797</b>	<b>\$11,975</b>	<b>\$11,560</b>	<b>\$15,381</b>

Source: Illinois Office of the Comptroller and the GOMB.

Note: Totals may not add due to rounding.

1 Does not include Federal Trust Funds.

2 June 30, 2017 cash balances show a significant increase in General Funds from the beginning of Fiscal Year 2017 due to the late enactment of Fiscal Year 2018 Higher Education appropriations for the Education Assistance Fund. In June 2017, there was over \$562 million in the Education Assistance Fund, significantly higher than the \$24 million held in the account in June 2016.

3 Highway Funds are limited by the Illinois Constitution and State statute to support construction and maintenance of transportation and the debt service on certain GO Bonds issued for transportation projects.

4 Includes the GOBRI Fund.

**TABLE III-2  
CASH BALANCES BY FUND CATEGORY  
AS OF END OF THIRD QUARTER FISCAL YEARS 2018–2022  
(\$ in millions)**

FUND CATEGORY <sup>1</sup>	FY2018	FY2019	FY2020	FY2021	FY2022
General Funds	\$ 414	\$ 308	\$ 594	\$ 697	\$ 1,168
Highway Funds <sup>2</sup>	1,380	690	1,147	1,744	2,896
Special State Funds	3,249	3,961	3,710	4,592	7,410
Bond Financed Funds	1,020	1,204	1,373	2,140	1,338
Debt Service Funds <sup>3</sup>	1,343	1,231	1,443	2,031	1,696
Revolving Funds	112	44	42	90	79
State Trust Funds	3,267	3,125	3,085	3,616	3,641
<b>March 31st amounts (End of 3rd Quarter)</b>	<b>\$10,784</b>	<b>\$10,564</b>	<b>\$11,394</b>	<b>\$14,911</b>	<b>\$18,228</b>

Source: Illinois Office of the Comptroller and the GOMB.

Note: Totals may not add due to rounding.

1 Does not include Federal Trust Funds.

2 Highway Funds are limited by the Illinois Constitution and State statute to support construction and maintenance of transportation and the debt service on certain GO Bonds issued for transportation projects.

3 Includes the GOBRI Fund.

The State imposes various taxes and fees to pay its General Funds obligations, including without limitation, principal and interest on its GO Bonds. See SECTION 4—GENERAL FUND REVENUES— TAX REVIEW” in this Part II.

The State has never failed to pay any debt service payment on its GO Bonds when due. 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 Sections 4(a) and 4(e) 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) and certain non-transportation bonds authorized as part of the Rebuild Illinois capital plan.

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 and CURE Borrowing Act Obligations 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 (the “Illinois Supreme Court”) as a court of original jurisdiction.

The cash balance in the GOBRI Fund on May 1, 2022, was approximately \$1.349 billion.

The following Table III-3 shows a history of debt service transfers to the GOBRI Fund from the various funds described above during Fiscal Year 2017 through Fiscal Year 2021.

**TABLE III-3  
GENERAL OBLIGATION BONDS  
TRANSFERS TO THE GOBRI FUND FOR PAYMENT OF DEBT SERVICE  
FISCAL YEARS 2017-2021  
(\$ in millions)**

FUND	FY2017	FY2018	FY2019	FY2020	FY2021
General Revenue Fund					
Capital Bonds	\$ 626	\$ 797	\$ 670	\$ 436	\$ 53
Pension Bonds	1,609	1,576	1,242	646	681
Section 7.6 Bonds	0	527	782	757	732
Section 7.7 Bonds	0	0	7	31	63
Short-Term Borrowing	0	0	0	0	2,209
Road Fund <sup>(1)</sup>	305	349	339	379	431
School Infrastructure Fund <sup>(1)</sup>	115	172	107	145	385
Capital Projects Fund <sup>(1)</sup>	477	285	431	638	784
State CURE Fund <sup>(2)</sup>	0	0	0	0	26
<b>TOTAL</b>	<b>\$3,133</b>	<b>\$3,706</b>	<b>\$3,579</b>	<b>\$3,031</b>	<b>\$5,364</b>

Source: GOMB. Office of the Comptroller.

- (1) Each of the Road Fund, the School Infrastructure Fund and the Capital Projects Fund all pay a portion of the debt service on the State’s GO Bonds issued for long-term capital projects.
- (2) The State’s CURE Fund held the CRF. One of the allowable purposes for use of money in this fund was payment of interest costs on cash flow borrowings, such as the CURE Borrowing Act Obligations.

## OUTSTANDING GO BONDS

The tables in this section provide information regarding the State's GO Bonds authorized and issued pursuant to the Bond Act. Short-Term Debt and CURE Borrowing Act Obligations, though general obligations of the State, are not issued pursuant to the Bond Act and are not included in the tables set forth in this section. Table III-4 shows the statutory general obligation bond authorization, Table III-5 shows the maturity schedule for all outstanding GO Bonds, and Table III-6 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 III-4 and III-5 has not been reduced by the remaining amounts otherwise available in the GOBRI Fund.

**TABLE III-4**  
**GENERAL OBLIGATION BOND AUTHORIZATION**  
**(As of May 1, 2022)**

Authorization Category	Amount Authorized <sup>1</sup>	Amount Issued <sup>2</sup>	Authorized Unissued	Amount Outstanding <sup>3</sup>
Multi-purpose	\$51,513,491,669	\$30,672,753,551	\$20,840,738,118	\$10,871,412,037
Special-purpose <sup>4</sup>	250,000,000	246,095,000	3,905,000	0
Refunding Bonds <sup>5</sup>	4,839,025,000	10,535,719,239	2,387,280,000	2,451,745,000
<b>Subtotal</b>	<b>\$56,602,516,669</b>	<b>\$41,454,567,790</b>	<b>\$23,231,923,118</b>	<b>\$13,323,157,037</b>
Pension Bonds	17,562,348,300	17,166,000,000	396,348,300	8,350,000,000
Section 7.7 Bonds	1,000,000,000	884,632,800	115,367,200	815,153,688
Section 7.6 Bonds	7,200,000,000	6,000,000,000	1,200,000,000	4,000,000,000
<b>Total</b>	<b>\$82,364,864,969</b>	<b>\$65,505,200,590</b>	<b>\$24,943,638,618</b>	<b>\$26,488,310,725</b>
Currently Authorized Less Refunding Bonds <sup>6</sup>	\$77,525,839,969	\$54,969,481,351		

Source: GOMB.

1 Authorizations as set forth in the Bond Act.

2 Reflects principal amount issued.

3 All amounts reflect principal amount outstanding on May 1, 2022.

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 of principal on refunding bonds outstanding as of May 1, 2022.

6 Section 2 of the Bond Act states that the aggregate authorized amount of the general obligation bonds (excluding authorization for refunding bonds) is \$78,256,839,969. 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 Bond Act.

**TABLE III-5**  
**MATURITY SCHEDULE – GENERAL OBLIGATION BONDS<sup>(1)</sup>**  
**(As of May 1, 2022)**

Fiscal Year June 30	The Bonds		General Obligation Capital Improvement and Refunding Bonds <sup>(2)</sup>		Pension Acceleration Bonds <sup>(3)</sup>		Section 7.6 November 2017 ABCD Bonds		Pension Funding Bonds		Total Combined Total Debt Service <sup>(4)</sup>
	Principal	Interest	Total Principal	Total Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2022			\$ 1,053,878,298	\$ 719,156,575	\$ 36,479,112	\$ 38,514,639	\$ 500,000,000	\$ 211,537,500	\$ 325,000,000	\$ 424,800,000	\$ 3,309,366,123
2023			1,054,908,810	680,642,018	43,864,112	40,845,545	500,000,000	186,537,500	375,000,000	408,712,500	3,290,510,485
2024			1,016,334,856	620,300,898	43,864,112	39,033,189	500,000,000	161,537,500	450,000,000	390,150,000	3,221,220,555
2025			949,094,723	570,906,991	43,864,112	37,132,184	500,000,000	136,537,500	525,000,000	367,200,000	3,129,735,510
2026			962,675,888	518,367,472	36,864,112	35,258,178	500,000,000	111,537,500	575,000,000	340,425,000	3,080,128,150
2027			852,885,888	471,114,102	35,464,112	33,452,573	500,000,000	87,018,750	625,000,000	311,100,000	2,916,035,425
2028			833,705,888	424,528,708	35,464,112	31,634,367	500,000,000	62,500,000	700,000,000	279,225,000	2,867,058,075
2029			815,090,888	379,788,314	35,464,112	29,792,161	500,000,000	37,500,000	775,000,000	243,525,000	2,816,160,475
2030			758,870,888	337,597,019	35,464,112	27,925,956	500,000,000	12,500,000	875,000,000	204,000,000	2,751,357,975
2031			714,625,888	298,505,050	35,464,112	26,035,750	0	0	975,000,000	159,375,000	2,209,005,800
2032			643,785,888	261,606,595	35,464,112	24,133,545	0	0	1,050,000,000	109,650,000	2,124,640,140
2033			624,765,888	227,214,291	35,464,112	22,237,339	0	0	1,100,000,000	56,100,000	2,065,781,630
2034			661,360,888	192,851,262	35,459,112	20,347,258	0	0	0	0	910,018,520
2035			591,380,888	159,875,957	35,459,112	18,482,203	0	0	0	0	805,198,160
2036			509,140,888	128,312,253	35,459,112	16,654,047	0	0	0	0	689,566,300
2037			461,140,888	104,080,108	35,459,112	14,823,642	0	0	0	0	615,503,750
2038			406,140,888	81,758,214	35,459,112	12,993,236	0	0	0	0	536,351,450
2039			374,140,888	62,418,029	35,459,112	11,199,871	0	0	0	0	483,217,900
2040			227,140,888	46,567,993	35,459,112	9,406,507	0	0	0	0	318,574,500
2041			227,140,888	36,463,208	35,459,112	7,627,542	0	0	0	0	306,690,750
2042			185,940,888	26,439,022	35,459,112	5,885,478	0	0	0	0	253,724,500
2043			154,120,888	18,520,678	28,079,112	4,219,322	0	0	0	0	204,940,000
2044			109,920,888	11,828,133	28,079,112	2,659,367	0	0	0	0	152,487,500
2045			109,920,888	6,657,589	16,079,112	1,094,911	0	0	0	0	133,752,500
2046			56,920,888	2,087,044	7,079,112	250,456	0	0	0	0	66,337,500
<b>Total</b>			<b>\$14,355,035,334</b>	<b>\$6,387,587,523</b>	<b>\$851,632,800</b>	<b>\$511,639,265</b>	<b>\$4,500,000,000</b>	<b>\$1,007,206,250</b>	<b>\$8,350,000,000</b>	<b>\$3,294,262,500</b>	<b>\$39,257,363,673</b>

Source: GOMB.

Note: Interest on Build America Bonds is shown gross of the 35% Federal subsidy.

Note: Table may not add due to rounding.

(1) Includes all debt service paid or payable during Fiscal Year 2022.

(2) Includes the portion of the Bonds allocated to capital improvements.

(3) Includes the portion of the Bonds allocated to funding accelerated pension benefit payments.

(4) Consists of the sum of all principal and interest columns in this table with the exception of the columns under the header "The Bonds", which amounts are included separately under General Obligation Capital Improvement and Refunding Bonds and Pension Acceleration Bonds as described in footnotes (3) and (4).

**TABLE III-6  
OUTSTANDING GENERAL OBLIGATION BONDS  
(As of May 1, 2022)**

<u>Original Par<sup>(1)</sup></u>	<u>Principal Currently Outstanding</u>	<u>Bonds</u>	<u>Series</u>	<u>Dated Date</u>
\$ 400,000,000	\$ 400,000,000	General Obligation Bonds	Series of December 2021AB	December 15, 2021
1,000,000,000	941,000,000	General Obligation Bonds	Series of March 2021AB	March 24, 2021
257,960,000	168,960,000	General Obligation Refunding Bonds	Series of March 2021C	March 24, 2021
125,000,000	95,000,000	General Obligation Bonds	Series of October 2020A (Taxable)	October 27, 2020
725,000,000	705,000,000	General Obligation Bonds	Series of October 2020BCD	October 27, 2020
800,000,000	736,000,000	General Obligation Bonds	Series of May 2020	May 18, 2020
750,000,000	690,000,000	General Obligation Bonds	Series of November 2019ABC	November 21, 2019
300,000,000	264,000,000	General Obligation Bonds	Series April 2019A (Taxable)	April 9, 2019
140,280,000	119,280,000	General Obligation Refunding Bonds	Series April 2019B	April 9, 2019
965,770,000	807,125,000	General Obligation Refunding Bonds	Series of September 2018	September 5, 2018
500,000,000	408,000,000	General Obligation Bonds	Series of May 2018	May 9, 2018
750,000,000	607,200,000	General Obligation Bonds	Series of December 2017	December 13, 2017
6,000,000,000	4,000,000,000	General Obligation Bonds	Series of November 2017	November 8, 2017
480,000,000	384,000,000	General Obligation Bonds	Series November 2016	November 17, 2016
1,303,145,000	842,740,000	General Obligation Refunding Bonds	Series October 2016	November 2, 2016
550,000,000	440,000,000	General Obligation Bonds	Series June 2016	June 29, 2016
480,000,000	364,800,000	General Obligation Bonds	Series January 2016	January 26, 2016
750,000,000	510,000,000	General Obligation Bonds	Series May 2014	May 8, 2014
250,000,000	170,000,000	General Obligation Bonds	Series April 2014	April 17, 2014
1,025,000,000	656,000,000	General Obligation Bonds	Series February 2014	February 13, 2014
350,000,000	238,000,000	General Obligation Bonds	Series December 2013 (Taxable)	December 19, 2013
1,300,000,000	884,000,000	General Obligation Bonds	Series June 2013	July 10, 2013
450,000,000	288,000,000	General Obligation Bonds	Series A of April 2013	April 10, 2013
350,000,000	224,000,000	General Obligation Bonds	Series B of April 2013 (Taxable)	April 10, 2013
50,000,000	5,000,000	General Obligation Bonds	Series September 2012	September 25, 2012
1,797,740,000	513,640,000	General Obligation Refunding Bonds	Series May 2012	May 8, 2012
575,000,000	345,000,000	General Obligation Bonds	Series March 2012	March 27, 2012
525,000,000	315,000,000	General Obligation Bonds	Series A of January 2012	January 20, 2012
275,000,000	165,000,000	General Obligation Bonds	Series B of January 2012 (Taxable)	January 20, 2012
900,000,000	504,000,000	General Obligation Bonds	Series 2010-5 (BABs)	July 21, 2010
300,000,000	168,000,000	General Obligation Bonds	Series 2010-4 (BABs)	July 1, 2010
700,000,000	364,000,000	General Obligation Bonds	Series 2010-3 (BABs)	April 26, 2010
300,000,000	156,000,000	General Obligation Bonds	Series 2010-2 (BABs)	April 26, 2010
56,000,000	29,120,000	General Obligation Bonds	Series March 2010 (Taxable)	April 26, 2010
1,000,000,000	520,000,000	General Obligation Bonds	Series 2010-1 (BABs)	February 4, 2010
325,000,000	52,000,000	General Obligation Bonds	Series January 2006	January 18, 2006
10,000,000,000	8,350,000,000	General Obligation Bonds	Series June 2003 (Pension)	June 12, 2003
62,078,508(2)	2,605,476(2)	College Savings Bonds	Series October 2002	November 1, 2002
375,000,000	53,000,000	General Obligation Bonds	Series November 2001	November 1, 2001
101,855,029(2)	2,840,249(2)	College Savings Bonds	Series October 2000	October 19, 2000
	<u>\$26,488,310,725</u>			

Source: GOMB.

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

(2) Capital appreciation bonds. The amounts set forth reflect the original principal amount and does not include accreted amounts.

## MEASURES OF GENERAL OBLIGATION DEBT

The following tables III-7, III-8 and III-9 show various measures of the relative burden of the State's general obligation debt and debt service.

**TABLE III-7**  
**RATIO OF GENERAL OBLIGATION DEBT SERVICE**  
**TO TOTAL GENERAL AND ROAD FUND APPROPRIATIONS**  
**FISCAL YEARS 2017-2021**  
**June 30 Fiscal Year End**

Fiscal Year	Total Appropriations <sup>1</sup> (\$ In Millions)	Capital Improvement and Refunding Bonds	Pension Bonds	Section 7.6 Bonds	Section 7.7 Bonds
		Debt Service <sup>2</sup> % of Appropriations	Debt Service % of Appropriations <sup>3</sup>	Debt Service % of Appropriations	Debt Service % of Appropriations
2017 <sup>4</sup>	38,915	4.37%	4.23%	0.00%	0.00%
2018	42,361	4.00%	3.82%	0.34%	0.00%
2019	43,557	3.89%	3.64%	1.81%	0.00%
2020	47,324	3.48%	1.43%	1.61%	0.06%
2021	49,904	3.41%	1.43%	1.47%	0.10%

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 include the General Revenue Fund, the Education Assistance Fund, the Common School Fund, the General Revenue-Common School Special Account 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 state definition of General Funds beginning in Fiscal Year 2018. 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 of October 2003B Bonds. The October 2003B Bonds have been refunded by the State in their entirety.
- 3 Includes 2003 and 2011 pension funding bonds. The 2011 pension bonds matured in Fiscal Year 2019.
- 4 Fiscal Year 2016 and Fiscal Year 2017 Total Appropriations include enacted General Funds (reflecting the new definition of General Funds) appropriations and enacted Road Fund appropriations, continuing appropriations and spending authority established pursuant to court orders or consent decrees from the General Funds.

**TABLE III-8**  
**RATIO OF GENERAL OBLIGATION DEBT OUTSTANDING**  
**TO ILLINOIS PERSONAL INCOME**  
**FISCAL YEARS 2017-2021<sup>1</sup>**  
**June 30 Fiscal Year End**

Fiscal Year	Illinois Personal Income (\$ In Billions)	Capital Improvement and Refunding Bonds	Pension Bonds <sup>2</sup>	Section 7.6 Bonds	Section 7.7 Bonds
		% of Personal Income	% of Personal Income	% of Personal Income	% of Personal Income
2017	680.4	2.0%	1.6%	N/A	N/A
2018	710.8	2.0%	1.4%	0.8%	N/A
2019	736.9	1.8%	1.2%	0.7%	<0.1%
2020	769.7	1.7%	1.1%	0.6%	0.1%
2021	830.2	1.7%	1.0%	0.5%	0.1%

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

- 1 Current data as of October 1, 2021. Debt outstanding as of June 30 of each Fiscal Year.
- 2 Includes 2003 and 2011 pension funding bonds. The 2011 pension bonds matured in Fiscal Year 2019.

**TABLE III-9  
GENERAL OBLIGATION DEBT PER CAPITA – ILLINOIS  
FISCAL YEARS 2017-2021  
June 30 Fiscal Year End<sup>1</sup>**

	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
Population (in Thousands)	12,803	12,754	12,697	12,633	12,546
Capital Improvement and Refunding Bonds	\$1,071	\$1,099	\$1,030	\$1,066	\$1,124
Pension Bonds <sup>2</sup>	857	778	697	683	666
Section 7.6 Bonds	N/A	470	433	396	359
Section 7.7 Bonds	N/A	N/A	24	41	56

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

<sup>1</sup> Current data as of October 1, 2021. Fiscal Year population reflects an average of four quarters of U.S. Census Bureau population data. Debt represented is the principal amount outstanding on June 30 of each year.

<sup>2</sup> Includes 2003 and 2011 pension funding bonds. The 2011 pension bonds matured in Fiscal Year 2019.

### 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.

The Deposit Act was amended in 2018 to create a new “permitted investment” for the Treasurer. Within certain parameters, the Treasurer is permitted to invest up to \$2 billion of the money in the State treasury, including proceeds from the issuance of GO Bonds, with the Office of the Comptroller in order to enable the Comptroller to pay outstanding vouchers. All of the Fiscal Year 2019, Fiscal Year 2020 and Fiscal Year 2021 investments have been repaid. No funds have been borrowed to date in Fiscal Year 2022. The Deposit Act prohibits the use of money deposited in the GOBRI Fund for this type of investment.

### FUTURE FINANCINGS

As described above under SECTION 2—“RECENT FINANCIAL HISTORY—REBUILD ILLINOIS CAPITAL PLAN” of Part II hereof, the Rebuild Illinois capital plan authorizes appropriations for approximately \$20.8 billion in additional GO Bonds and Build Illinois Bonds (with the authorizations for the issuance of such bonds being established in Public Act 101-030). As of the date hereof, the State has issued approximately \$1.755 billion in aggregate principal amount of GO Bonds and Build Illinois Bonds pursuant to the Rebuild Illinois capital plan. At the time the Rebuild Illinois capital plan was approved, the State expected that the bonds to be sold to finance such capital plan would be sold during the period of six to ten years from the passage of Public Act 101-030. The State still expects that these bonds will be issued during this timeframe, but the



specific timing of such issuances will depend on the cash flow needs of the projects to be financed therewith.

In addition, the State expects to issue additional Section 7.7 Bonds in the future. P.A. 102-718, increased the total authorized principal amount of the Section 7.7 Bonds to \$2,000,000,000, of which \$1,009,632,800\* will have been issued following the issuance of the June 2022A Bonds. The State expects to issue the remaining \$990,367,200\* of Section 7.7 Bonds authorized by the Bond Act as needed when the Section 7.7 Bond proceeds from the June 2022A Bonds are depleted. The depletion rate of such funds varies and, as such, the State cannot currently predict when such additional Section 7.7 Bond proceeds will be needed.

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.

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\* Preliminary, subject to change.

## SECTION 2

### 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. The State's commitment is based upon various Illinois statutes and upon contractual arrangements with the issuers. At present, the only State revenue bonds outstanding or authorized to be issued by the State are its Build Illinois Bonds. Table III-10 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. After an increase in authorization as part of the Rebuild Illinois capital plan, the current Build Illinois Bond authorization is \$9,484,681,100 of which \$6,181.8 million has been issued. The Build Illinois Bond Act (30 ILCS 425/1 *et seq.*) contains restrictions on the issuance of Build Illinois Bonds similar to those contained in the Bond Act and described under SECTION 1—"GENERAL OBLIGATION INDEBTEDNESS—AUTHORITY FOR ISSUANCE OF GO BONDS" of this Part III.

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.

Debt service with respect to the State's Build Illinois Bonds continues to be paid in a timely manner.

**TABLE III-10**  
**MATURITY SCHEDULE – STATE REVENUE BONDS<sup>1</sup>**  
**(As of May 1, 2022)**

Fiscal Year	Build Illinois Bonds		
	Principal	Interest	Total Debt Service
2022	\$ 199,175,000	\$ 87,835,061	\$ 287,010,061
2023	187,885,000	84,141,173	272,026,173
2024	180,690,000	76,276,562	256,966,562
2025	179,575,000	68,463,137	248,038,137
2026	177,725,000	60,644,436	238,369,436
2027	156,120,000	52,894,585	209,014,585
2028	134,620,000	46,254,434	180,874,434
2029	133,620,000	40,716,130	174,336,130
2030	125,515,000	35,187,211	160,702,211
2031	130,495,000	30,086,712	160,581,712
2032	123,860,000	24,930,498	148,790,498
2033	110,780,000	20,121,419	130,901,419
2034	103,075,000	16,060,275	119,135,275
2035	67,560,000	12,266,616	79,826,616
2036	67,560,000	9,533,408	77,093,408
2037	49,850,000	6,789,200	56,639,200
2038	37,350,000	4,750,810	42,100,810
2039	20,600,000	3,200,970	23,800,970
2040	20,600,000	2,431,980	23,031,980
2041	20,600,000	1,651,740	22,251,740
2042	9,600,000	866,000	10,466,000
2043	9,600,000	433,000	10,033,000
<b>Total</b>	<b>\$2,246,455,000</b>	<b>\$685,535,358</b>	<b>\$2,931,990,358</b>

<sup>1</sup> Includes all debt service paid or payable during Fiscal Year 2022.

Note: Columns may not add due to rounding.

## **SECTION 3**

### **AUTHORITY OBLIGATIONS AND MORAL OBLIGATIONS**

#### **STATE AUTHORITY REVENUE BONDS**

A description of revenue bond programs of State authorities follows. Table III-11 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 (“Expansion Project Bonds”). P.A. 100-23 increased the MPEA’s bond authorization by \$293 million, to \$2.85 billion. Of this total authorized amount, the Authority has issued \$2,849,996,774. Debt issued by MPEA is an obligation of MPEA and is not backed by the full faith and credit of the State. 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 up to maximum annual amounts, subject to appropriation. Transfers of State sales tax revenues are subject to the prior claim for payments into the Build Illinois Bond Fund. Public Act 96-898 provided additional financial support from the State for debt service on Expansion Project Bonds in an amount up to \$31.7 million annually until 2035, subject to appropriation by the State.

The COVID-19 pandemic has impacted MPEA’s revenues, particularly through the loss of previously scheduled convention business beginning in March 2020 and related reductions in the locally imposed taxes described in the previous paragraph as a result of a reduction in overall economic activity. Public Act 101-0636 expanded MPEA’s ability to use the proceeds of its bonds for any corporate purpose of MPEA during Fiscal Years 2021 and 2022. MPEA issued bonds in September 2020, July 2021 and March 2022 which restructured certain outstanding obligations of MPEA and provided funds for corporate purposes, with both aspects of such borrowing designed to provide additional short-term financial flexibility for MPEA.

#### **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 approximately \$433.6 million in principal amount as of June 30, 2021, 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.*) (the “State Revenue Sharing Act”) 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.

The COVID-19 pandemic has negatively impacted ISFA’s revenues due to a decline in transactions subject to the hotel taxes which generate these revenues.

## **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.

In March 2022, a settlement was finalized with tobacco companies that will resolve disputes concerning the Nonparticipating Manufacturer Adjustment under the MSA for the years 2004 through 2028. Tobacco companies claimed they were authorized to reduce their annual payments to the State and other states as a result of cigarette sales by other tobacco companies that do not participate in the MSA. In 2013 and 2021, two arbitration panels composed of former federal judges found that the State was not subject to this payment reduction for the years 2003 and 2004, respectively. The settlement initially requires the release of approximately \$548 million previously withheld from the State’s annual payments by tobacco companies participating in the MSA. On April 15, 2022, and April 18, 2022, the amounts due under the settlement in 2022 were released together with the annual disbursements under the MSA for 2022.

**TABLE III-11**  
**MATURITY SCHEDULE – STATE AUTHORITY REVENUE BONDS**  
**(As of May 1, 2022)<sup>1</sup>**

Fiscal Year	MPEA Expansion Project		Illinois Sports Facilities Authority		Railsplitter Tobacco Settlement Authority <sup>3</sup>		Total State Authority Revenue Bonds		
	Principal	Interest <sup>2</sup>	Principal	Interest <sup>3</sup>	Principal	Interest	Total Principal	Total Interest	Total Debt Service
2022	\$ 0	\$ 113,058,610	\$ 8,400,360	\$ 41,978,666	\$109,655,000	\$33,548,250	\$ 118,055,360	\$ 188,585,527	\$ 306,640,887
2023	60,644,013	152,506,921	8,799,047	44,674,291	112,260,000	28,065,500	181,703,060	225,246,712	406,949,771
2024	54,017,089	215,507,748	9,185,634	47,567,704	109,745,000	22,452,500	172,947,723	285,527,952	458,475,675
2025	49,566,683	209,078,317	9,500,244	50,747,844	107,305,000	16,965,250	166,371,927	276,791,411	443,163,338
2026	47,164,373	191,708,115	15,537,481	48,398,357	105,370,000	11,600,000	168,071,853	251,706,472	419,778,325
2027	95,798,848	177,466,051	48,410,000	19,563,088	103,360,000	6,331,500	247,568,848	203,360,639	450,929,487
2028	55,242,687	176,476,745	50,350,000	17,142,588	23,270,000	1,163,500	128,862,687	194,782,832	323,645,520
2029	66,730,321	174,722,575	52,870,000	14,625,088	0	0	119,600,321	189,347,662	308,947,983
2030	10,081,635	331,668,915	66,575,000	11,981,588	0	0	76,656,635	343,650,503	420,307,138
2031	16,220,954	337,533,721	77,925,000	8,586,750	0	0	94,145,954	346,120,471	440,266,425
2032	12,650,997	341,091,681	86,000,000	4,506,550	0	0	98,650,997	345,598,231	444,249,228
2033	11,998,844	341,758,458	0	0	0	0	11,998,844	341,758,458	353,757,303
2034	11,432,732	342,312,196	0	0	0	0	11,432,732	342,312,196	353,744,928
2035	10,987,216	342,768,086	0	0	0	0	10,987,216	342,768,086	353,755,303
2036	29,203,955	353,368,805	0	0	0	0	29,203,955	353,368,805	382,572,760
2037	28,197,727	354,374,446	0	0	0	0	28,197,727	354,374,446	382,572,173
2038	27,277,670	355,290,660	0	0	0	0	27,277,670	355,290,660	382,568,330
2039	26,399,429	356,173,215	0	0	0	0	26,399,429	356,173,215	382,572,644
2040	25,602,412	356,966,593	0	0	0	0	25,602,412	356,966,593	382,569,005
2041	37,644,647	344,924,736	0	0	0	0	37,644,647	344,924,736	382,569,383
2042	256,470,181	126,102,074	0	0	0	0	256,470,181	126,102,074	382,572,255
2043	71,062,297	311,510,184	0	0	0	0	71,062,297	311,510,184	382,572,481
2044	70,159,758	312,411,957	0	0	0	0	70,159,758	312,411,957	382,571,715
2045	69,716,831	312,856,052	0	0	0	0	69,716,831	312,856,052	382,572,883
2046	69,453,031	313,117,245	0	0	0	0	69,453,031	313,117,245	382,570,276
2047	118,987,355	263,582,048	0	0	0	0	118,987,355	263,582,048	382,569,403
2048	317,223,248	65,349,021	0	0	0	0	317,223,248	65,349,021	382,572,269
2049	329,709,595	52,862,139	0	0	0	0	329,709,595	52,862,139	382,571,734
2050	303,831,264	78,739,635	0	0	0	0	303,831,264	78,739,635	382,570,899
2051	75,318,854	307,251,793	0	0	0	0	75,318,854	307,251,793	382,570,647
2052	209,293,118	173,279,496	0	0	0	0	209,293,118	173,279,496	382,572,615
2053	154,112,138	193,128,411	0	0	0	0	154,112,138	193,128,411	347,240,548
2054	68,697,913	278,545,595	0	0	0	0	68,697,913	278,545,595	347,243,507
2055	66,383,107	280,861,473	0	0	0	0	66,383,107	280,861,473	347,244,580
2056	69,562,467	277,678,237	0	0	0	0	69,562,467	277,678,237	347,240,703
2057	165,361,670	181,886,955	0	0	0	0	165,361,670	181,886,955	347,248,625
<b>Total</b>	<b>\$3,092,205,056</b>	<b>\$9,097,918,908</b>	<b>\$433,552,765</b>	<b>\$309,772,512</b>	<b>\$670,965,000</b>	<b>\$120,126,500</b>	<b>\$4,196,722,821</b>	<b>\$9,527,817,920</b>	<b>\$13,724,540,741</b>

Note: Columns may not add due to rounding.

1 Includes all debt service paid or payable during Fiscal Year 2022.

2 Interest for MPEA Expansion Project Bonds and Illinois Sports Facilities Authority Bonds includes accreted principal amount on capital appreciation bonds.

3 The revenue bonds issued by Railsplitter are secured only by MSA payments and the State is not obligated in any way to pay principal and interest on these bonds.

## **MORAL OBLIGATION BONDS AND OTHER MORAL OBLIGATION COMMITMENTS**

Currently, five entities in the State may issue moral obligation bonds: (i) Illinois Finance Authority, (ii) the Illinois Housing Development Authority, (iii) the Southwestern Illinois Development Authority, (iv) the Upper Illinois River Valley Development Authority, and (v) the Illinois Educational Facilities Authority. 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.

As of December 31, 2021, debt evidenced by moral obligation bonds was currently outstanding in the amount of \$8.0 million.

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 the State will not receive future requests for State appropriations 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 ("College Illinois"), 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, 2021 valuation, College Illinois had an unfunded liability of approximately \$238 million. No additional prepaid tuition contracts were sold during Fiscal Years 2017, 2018, 2019, 2020 and 2021 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 2027. College Illinois will release a supplemental valuation containing projections of these total additional funds. Such supplemental report prepared as of June 30, 2021 had the period for which such funds would need to be provided beginning in 2026 and concluding in 2056 and, depending upon which actuarial assumptions are used, totaling

in excess of \$482 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, have had discussions as to how to address the projected shortfall. Legislation has been introduced into the General Assembly which would establish an irrevocable, continuing appropriation of the amounts necessary for the State to pay the contractual obligations of the College Illinois program and would pledge the full faith and credit of the State to such payments. In addition, the General Assembly made two appropriations from the General Funds for Fiscal Years 2021 and 2022 in the amounts of \$30 million and \$20 million, respectively, to help address the unfunded liability. Public Act 102-0696, which was enacted on March 25, 2022, included a supplemental appropriation in the amount of \$230 million from the General Revenue Fund for Fiscal Year 2022 to address the estimated remaining unfunded liabilities of the program.

#### **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 April 1, 2022, the available balances in the reserve funds held by the IFA were \$10.7 million and \$8.4 million, respectively.

These reserve funds are backed by a continuing appropriation of the State’s General Funds. As of June 30, 2020, the maximum outstanding IFA loan guarantees as of June 30, 2020 were approximately \$3.5 million. In total, 85% of these Loan Programs 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 these loan programs.



**PART IV**

**LITIGATION AND COLLECTIVE BARGAINING**

## 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 one currently pending lawsuit.

### ***ILLINOIS RETIRED TEACHERS ASS'N V. BOARD OF TRUSTEES, TEACHERS RETIREMENT SYSTEM***

This litigation concerns the Teachers Retirement Insurance Program, authorized by the State Employees Group Insurance Act, which provides subsidized health care benefits to retired teachers from school districts outside Chicago. The Illinois Retired Teachers Association (“IRTA”) filed this action on January 25, 2022, naming as defendants the Governor, Comptroller, Treasurer, Director of the Department of Central Management Services (“CMS”), Board of Trustees of the Teachers Retirement System, Speaker of the Illinois House, and President of the Illinois Senate. The IRTA’s Complaint alleges that the rates set by CMS for contributions to the Program are too low to cover the cost of benefits, that the Program’s operating fund will run out of cash some time in fiscal year 2023, and that this funding deficit violates the Illinois Constitution’s protection of benefits for members of a public pension plan.

The IRTA has agreed to voluntarily dismiss its claims against the Governor and legislative leaders. The other defendants filed an Answer on March 28, 2022, denying the Complaint’s operative allegations. The defendants’ Answer asserts that the IRTA’s claim suffers from several serious legal and factual flaws. The Attorney General is vigorously defending the action and will continue to do so.

## COLLECTIVE BARGAINING AGREEMENTS

As of December 31, 2020, 47,170 (91.6%) of the State’s 51,492 employees were covered by collective bargaining agreements effective for the period extending through June 30, 2023. This includes the agreement with the American Federation of State, County and Municipal Employees (“AFSCME”), which covers approximately 36,500 State employees.

This is very different from the status of collective bargaining the prior year. As of March 1, 2019, the collective bargaining agreements covering nearly 40,000 State employees had been expired since June 30, 2015, and new agreements had not been negotiated. The State and the unions were operating under tolling agreements. Because the State had stopped paying the step increases authorized in the agreements after they expired, litigation ensued between the State and AFSCME. By the end of calendar year 2018, two Illinois Appellate Court decisions had determined that the State and AFSCME had not reached impasse and that the State should not have stopped paying step increases. The Illinois Labor Relations Board (the “ILRB”), on remand from the courts, issued an order directing the State to restore the status quo of paying step increases and to “make whole” the bargaining unit employees.

In early 2019, with a change in administration, negotiations began between AFSCME and the State regarding a new collective bargaining agreement. In that context, the matters addressed in the ongoing litigation were settled. The State agreed to pay step increases retroactively to the beginning of Fiscal Year 2016. A new collective bargaining agreement was signed in June 2019 which addressed all remaining issues for both the previous period from July 1, 2015 through June

30, 2019 and the prospective period from July 1, 2019 through June 30, 2023. Substantially all payments for step increases accrued since July 1, 2015 have now been paid, an amount totaling approximately \$372 million for employees covered by AFSCME.

As of the date hereof, the State has completed negotiations and signed collective bargaining agreements effective through June 30, 2023, covering substantially all bargaining unit employees. Those without signed agreements are either seeking ratification or are still in active negotiation.

## PART V

### INVESTMENT CONSIDERATIONS RELATED TO THE STATE

*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.*

*The following investment considerations relate specifically to the State. For investment considerations related to the Bonds, see “INVESTMENT CONSIDERATIONS RELATED TO THE BONDS” in the body of this Official Statement.*

#### ***Budget Deficit***

Prior to the outbreak of the COVID-19 pandemic, the State projected that, without changes to the trajectory of the State’s finances, assuming baseline revenue growth under existing law and assuming no significant new revenues or new spending reforms or controls, the State would have structural deficits in the General Funds Budget in future Fiscal Years beginning with Fiscal Year 2022. See SECTION 1—“BASIC INFORMATION REGARDING STATE FINANCES—ECONOMIC AND FISCAL POLICY REPORT: FY 2022-FY 2027” in Part II of this APPENDIX A for updated budget outlooks that have improved since 2019, although a structural deficit remains. For Fiscal Year 2022, the budget deficit was addressed through several factors, including changes to certain corporate taxes, improved spending growth and early repayments of certain borrowings. As a result, the State currently projects a \$768 million surplus for Fiscal Year 2022. See “STATE FINANCIAL INFORMATION—FISCAL YEAR 2022 BUDGET AND PROJECTED RESULTS” in Part II of this APPENDIX A. The State provides no assurances as to how, when or in what form any structural deficit might be addressed.

#### ***Impact of COVID-19***

The COVID-19 pandemic, along with various governmental measures taken to protect public health in light of the pandemic, has had, and continues to have, a significant impact on the State, its residents and its economy. See SECTION 2—“RECENT FINANCIAL HISTORY—IMPACT OF COVID-19” of Part II hereof for a discussion of these impacts.

#### ***Severe Underfunding of the State’s Retirement Systems***

The State’s Retirement Systems are severely underfunded. The funding levels for the State’s Retirement Systems 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 2021 totaled approximately \$130 billion on a fair value basis and approximately \$141 billion on an actuarial basis, resulting in funded ratios

(the ratio of the value of assets to the actuarial accrued liability, expressed as a percentage) that equaled 46.6% on a fair value basis and 42.4% on an actuarial basis.

The State is required to make contributions to the Retirement Systems pursuant to the Pension Code at the level percentage of payroll necessary to reach a Funded Rate of 90% by the end of Fiscal Year 2045. As such, the State's contribution to the Retirement Systems is projected to increase in future years. Such increased pension contributions may require the State to reduce other expenditures, adjust revenue collections or approve a combination of revenue adjustments and reductions in other expenditures. See APPENDIX B—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 paid 95% of the costs of such Medicaid expansion for calendar year 2017, 94% for calendar year 2018, 93% for calendar year 2019 and will pay 90% for calendar year 2020 and subsequent years. The State participates in expanded Medicaid under the ACA pursuant to legislation enacted by the General Assembly in 2013 (the “Medicaid Expansion Legislation”).

During the Fiscal Year ended June 30, 2020, the State received approximately \$4.4 billion from the federal government, and during the Fiscal Year ended June 30, 2021, the State received approximately \$5.6 billion from the federal government as reimbursement for ACA Medicaid expansion costs, across all agencies and all funds. While the majority of these costs are paid through HFS, the State's Medicaid agency, ACA-eligible Medicaid clients also drive costs in other State agencies, most notably the Department of Human Services.

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. Additionally, though the United States Supreme Court has recently reaffirmed the constitutionality of the ACA, new litigation remains a possibility. If the provisions of the ACA providing for federal funding of Medicaid expansion are repealed or the ACA is invalidated, 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 (i) the passage of any repeal bills or other health care reform bills, or the contents thereof, or (ii) a decision by the U.S. Supreme Court to invalidate the ACA.

### ***Changes in Economic and Demographic Conditions***

The Fiscal Year 2022 Budget is 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, pandemic, the effects of climate change (including, but not limited to, flooding, blizzards, drought and lakefront erosion), terrorism, U.S. trade policy and reductions in or elimination of federal programs which may adversely affect the transfer of funds from the federal government to the State. In addition, U.S. trade policy may have an effect on the manufacturing and agricultural segments of the State's economy. Accordingly, the expectations and assumptions of the State upon which the Fiscal Year 2022 Budget is based may not be realized and the State's financial condition could be further materially adversely affected.

### ***Cybersecurity***

Computer networks and data transmission and collection are vital to the efficient operation of the State. Despite the implementation of network security measures by the State, its information technology and infrastructure may be vulnerable to deliberate attacks by hackers, malware, ransomware or computer virus, or may otherwise be breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored thereon could be disrupted, accessed, publicly disclosed, lost or stolen. Although the State does not believe that its information technology systems are at a materially greater risk of cybersecurity attacks than other similarly-situated governmental entities, any such disruption, access, disclosure or other loss of information could have an adverse effect on the State's operations and financial health. Further, as cybersecurity threats continue to evolve, the State may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks.

On April 29, 2021, Illinois Attorney General Kwame Raoul announced that, in accordance with State statute, the Office of the Attorney General (the "Office") was notifying the public of a ransomware attack that had compromised the Office's network. While the extent of the information compromised was under review, the Attorney General's Office launched a toll-free hotline and provided additional information to the public via its website. The Office also launched an immediate investigation and maintained close contact with federal law enforcement and external technology experts to determine which network components have been compromised. Following the ransomware attack, the Office continued regular operations to the extent possible while efforts to rebuild the network were underway.

On May 5, 2021, Attorney General Raoul testified at an Illinois House committee hearing regarding the ransomware attack and indicated that since the attack, the Office of Attorney General had implemented new safeguards and multiple layers of security, application-level security and monitoring, network authentication requirements and additional firewalls. In addition, Attorney General Raoul testified that the Office of the Attorney General had implemented continuous vulnerability scanning and intrusion detection and response protocols for the Office's network. As of the date hereof, the Office's network is active and the Office of Attorney General continues regular operations, but can make no assurance that similar forms of cyber threats or ransomware attacks will not occur in the future.

## APPENDIX B

### 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.

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 recommending any changes for consideration. See “—RECENT REPORTS REGARDING THE RETIREMENT SYSTEMS—*State Actuary’s Fiscal Year 2021 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. This Official Statement reflects the most current, final reports of the Retirement Systems and Auditor General. Final annual comprehensive financial reports (referred to as the comprehensive annual financial report for fiscal years prior to Fiscal Year 2021) (“ACFRs”) and final Actuarial Valuations (as defined herein) for Fiscal Year 2021 (“Fiscal Year 2021”) 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 5/1-101 *et seq.*) and the State Pension Funds Continuing Appropriation Act (40 ILCS 15/0.1 *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 if the funds available in the State’s General Funds are insufficient to make such payments. 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.

With the exception of a portion of payments that are made to SERS with each payroll voucher, the Retirement Systems submit monthly payment requests to the Comptroller. The Comptroller is not required to make monthly payments upon receipt of such requests. During Fiscal Year 2019, Fiscal Year 2020 and Fiscal Year 2021, some delays in the monthly payments occurred. The annual payments for each of Fiscal Year 2019, Fiscal Year 2020 and Fiscal Year 2021 were paid in full by the end of the respective lapse period for such fiscal years. Delays have also occurred in making monthly payments during Fiscal Year 2022 with respect to TRS and SURS. The State expects to make all delayed payments for Fiscal Year 2022 by the end of the Fiscal Year 2022 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 F relies on materials produced by the Retirement Systems, their independent accountants and their independent actuaries (the “Source Information”). The information in this APPENDIX F 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 B-5 through B-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 2017 through 2021, see Tables B-6 through B-10.

### **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 B-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 15-member Board of Trustees, consisting of the State Superintendent of Education, seven trustees appointed by the Governor with the advice and consent of the Senate, five trustees elected by contributing TRS members, and two trustees elected by TRS annuitants. 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 851 local school districts, 130 special districts and 10 other State agencies. To date, the contributions made by individual school districts, special districts and State agencies have been minimal. However, Public Act 100-023 (“Public Act 100-23”) requires certain additional contributions by such school districts upon implementation of Tier 3 (as defined herein). 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 “Retirement Savings 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, up to 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. Three appointed trustee positions are 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, 2020, of active employees, 2,348 are not coordinated with Social Security. All other active employees are 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 three 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 SERS 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, 2021, the membership in each of the Retirement Systems and the required membership contributions as a percentage of member salary were as follows:

**TABLE B-1 MEMBERSHIP AND MEMBER CONTRIBUTIONS**

<u>Retirement System</u>	<u>Active Members</u>	<u>Inactive/ Entitled to Benefits</u>	<u>Retirees and Beneficiaries</u>	<u>Total</u>	<u>Member Contribution<sup>(1)</sup></u>
TRS	159,027	145,769	127,518	432,314	9.0%
SURS <sup>(3)</sup>	60,397	86,135	70,111	216,643	8.0% - 9.5% <sup>(2)</sup>
SERS	62,253	28,322	76,113	166,688	4.0% - 12.5% <sup>(4)</sup>
JRS	944	29	1,298	2,271	8.5% or 11% <sup>(5)</sup>
GARS	122	65	443	630	9.5% or 11.5% <sup>(6)</sup>
Total	282,743	260,320	275,483	818,546	

Source: ACFRs of the Retirement Systems as of June 30, 2021.

- (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) Does not include the SURS Retirement Savings Plan (the “RSP”) which is not included in the totals. The RSP is a defined contribution plan and therefore does not carry any unfunded liability.
- (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 11.0% of their salaries, consisting of a retirement annuity (7.5%), an automatic annuity increase (1.0%) and a survivor’s annuity (2.5%). Certain members may elect not to participate in the survivor’s annuity and therefore contribute 8.5% of salary.
- (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 an Actuarial Valuation for each 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”<sup>1</sup> 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 with Fiscal Year 2018, any changes in the State’s contributions to the Retirement Systems caused by a change in actuarial assumptions are 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

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<sup>1</sup> 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.

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 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 B-2. For additional information on these assumptions, please see each Retirement System's Actuarial Valuation.

**TABLE B-2 - CERTAIN ACTUARIAL ASSUMPTIONS USED  
BY THE RETIREMENT SYSTEMS**

	<u>TRS</u>	<u>SURS</u>	<u>SERS</u>	<u>GARS</u>	<u>JRS</u>
	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial Cost Method <sup>(1)</sup>					
Investment Rate of Return	7.00%	6.50%	6.75%	6.50%	6.50%
Assumed Inflation Rate	2.25%	2.25%	2.25%	2.25%	2.25%
Post-Retirement Increase (Tier 1) <sup>(2)</sup>	3.00% <sup>(3)</sup>	3.00% <sup>(3)</sup>	3.00% <sup>(3)</sup>	3.00%	3.00%
Projected Salary Increases	Various <sup>(4)</sup>	3.25% to 12.25% <sup>(5)</sup>	Various <sup>(6)</sup>	2.50% <sup>(7)</sup>	2.50% <sup>(7)</sup>

Source: Actuarial Valuations of the Retirement Systems as of June 30, 2021.

- (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, also based on future compensation projected to retirement.
- (2) All values are compounded.
- (3) For members who have accepted a buyout under the AAI Buyout Program (as defined herein), the increase is 1.50%, not compounded, and delayed until the later of age 67 or one year after retirement.
- (4) Compensation is assumed to increase between 4.00% and 9.50% based on years of service. Of these increases, 2.50% represents inflation adjustments and 0.75% represents real wage growth.
- (5) Each member's compensation is assumed to increase by 3.25% each year, 2.25% reflecting salary inflation and 1.00% reflecting standard of living increases. The rate is increased for members with less than 34 years of service to reflect merit, longevity and promotion increases.
- (6) Assumed rates of increase vary by age and include an inflation component of 2.25%.
- (7) Consists of an inflation component of 2.25% 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, 2018. An experience review for the period from July 1, 2018, through June 30, 2021, is expected to be completed and implemented beginning with the Actuarial Valuation for Fiscal Year 2022. TRS recently conducted an experience review for the period July 1, 2017, through June 30, 2020, in preparation of the Actuarial Valuation for the Fiscal Year ended June 30, 2021. SURS most recent experience study was based on the three-year period ended June 30, 2020. 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 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, 2021, is discussed under “—RECENT REPORTS REGARDING THE RETIREMENT SYSTEMS—*State Actuary’s Fiscal Year 2021 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. TRS reduced its 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 to 6.75% for Fiscal Year 2018 and to 6.5% for Fiscal Year 2021. SERS, JRS and GARS reduced their assumed investment rates of return to 6.75%, 6.50% and 6.50% respectively, each such reduction becoming effective beginning with the Actuarial Valuation performed for Fiscal Year 2019. According to a February 2021 National Association of Retirement Administrators report on public pension plan assumptions, the national median assumed rate of return for public pension plans is 7.23%. The reductions previously approved by the Retirement Systems 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 B-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.

**TABLE B-3 - INVESTMENT RATES OF RETURN, FISCAL YEARS 2012-2021**

<b>Fiscal Year</b>	<b>TRS</b>		<b>SURS</b>		<b>SERS</b>		<b>GARS</b>		<b>JRS</b>	
	<i>Assumed</i>	<i>Actual</i>	<i>Assumed</i>	<i>Actual</i>	<i>Assumed</i>	<i>Actual</i>	<i>Assumed</i>	<i>Actual</i>	<i>Assumed</i>	<i>Actual</i>
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%
2018	7.00%	8.5%	6.75%	8.2%	7.00%	7.6%	6.75%	7.6%	6.75%	7.6%
2019	7.00%	5.2%	6.75%	6.0%	6.75%	7.1%	6.50%	7.1%	6.50%	7.1%
2020	7.00%	0.6%	6.75%	2.6%	6.75%	4.6%	6.50%	4.6%	6.50%	4.6%
2021	7.00%	25.5%	6.50%	23.8%	6.75%	24.9%	6.75%	24.9%	6.75%	24.9%
5-Yr. Avg. Geometric Return		10.1%		10.3%		11.1%		11.1%		11.1%
10-Yr Avg. Geometric Return		8.4%		8.5%		9.0%		9.0%		9.0%

Source: ACFRs of the Retirement Systems for the fiscal years ending June 30, 2019, through June 30, 2021.

### **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 93-002 (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 B-4 below for a schedule of the remaining annual debt service payments on the 2003 Pension Bonds. Prior to Fiscal Year 2020, the debt service payments on the 2003 Pension Bonds increased gradually year-over-year. Since Fiscal Year 2010, the debt service payments on the 2003 Pension Bonds ranged from \$543.6 million in Fiscal Year 2010 to \$749.8 million in Fiscal Year 2022.

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 Systems' investment rates of return for Fiscal Years 2012 through 2021 are set forth in Table B-3. The State's future debt service requirements with respect to the 2003 Pension Bonds are set forth in Table B-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 B-4 - DEBT SERVICE ON 2003 PENSION BONDS <sup>(1)</sup>**

<b>FISCAL YEAR</b>	<b>DEBT SERVICE DUE ON 2003 PENSION BONDS</b>	<b>FISCAL YEAR</b>	<b>DEBT SERVICE DUE ON 2003 PENSION BONDS</b>
2022	\$749.8	2028	\$ 979.2
2023	783.7	2029	1,018.5
2024	840.2	2030	1,079.0
2025	892.2	2031	1,134.4
2026	915.4	2032	1,159.7
2027	936.1	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 94-004 ("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 96-043 (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 Systems 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 payments to the Retirement Systems during Fiscal Years 2012 through 2021 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 State expects to make all required Fiscal Year 2022 payments to the Retirement Systems by the end of the 2022 lapse period. Despite the State making all such required payments, the UAAL of the Retirement Systems continued to increase during this period 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, 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. No assurance can be given that the State will not, through legislative action, subsequently modify the amount to be contributed in any given year.

Public Act 102-0696 authorizes an additional payment to the Retirement Systems in the amount of \$300 million during Fiscal Year 2022. In addition, the Fiscal Year 2023 Budget appropriates an additional \$200 million to the State's Pension Stabilization Fund to reduce the UAALs of the Retirement Systems. GOMB estimates that these additional payments will save the State's taxpayers \$1.8 billion in future payments to the Retirement Systems.

Table B-5 shows the State's Actuarially Required Contributions (for fiscal years 2010 through 2015 for each of the Retirement Systems except TRS, and fiscal years 2010 through 2016 for TRS) and the ADC (as hereinafter defined) (for fiscal years 2016, 2017, 2018 and 2019 for each of the Retirement Systems except TRS, and fiscal years 2017, 2018 and 2019 for TRS) along with the percentage of those contributions actually made in each of 2012 through 2021.

**TABLE B-5 - HISTORY OF STATE CONTRIBUTIONS <sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Amount Contributed<sup>(2)</sup></b>	<b>Actuarially Required Contribution or ADC</b>	<b>Percentage Contributed</b>
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 <sup>(3)</sup>	7,501.9	8,388.4	89.4%
2017 <sup>(3)</sup>	7,803.6	10,422.7	74.9% <sup>(4)</sup>
2018 <sup>(3)</sup>	7,788.9	11,882.4	65.5%
2019 <sup>(3)</sup>	8,541.5	12,794.5	66.8%
2020 <sup>(3)</sup>	9,191.1	13,475.1	68.2%
2021 <sup>(3)</sup>	9,773.2	14,000.5	69.8%

Source: Comprehensive Annual Financial Reports of the Retirement Systems for the fiscal years ending June 30, 2012 through June 30, 2021.

(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, 2021, 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: 16 years (20 years); SURS: 24 (30 years); SERS: 19 years (25 years); JRS: 19 years (25 years); and GARS: 14 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, 2021 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 certifications of the State’s contribution to the Retirement Systems for Fiscal Year 2022 provided for a contribution of approximately \$10,446 billion. 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 2021, the Retirement Systems had an aggregate UAAL of approximately \$129.7 billion on a fair value basis and approximately \$139.8 billion on an actuarial basis (calculated pursuant to the Asset Smoothing Method), resulting in respective Funded Ratios



of 46.6% and 42.4%. Factors contributing to the increased funded ratios from Fiscal Year 2020 to Fiscal Year 2021 were due primarily to investment returns exceeding the assumed rate of return during such Fiscal Year.

The following tables summarize the financial condition of the Retirement Systems for Fiscal Years 2017 through 2021.

**TABLE B-6**  
**FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS**  
**FISCAL YEAR 2021**  
**(\$ IN THOUSANDS)**

	<b>SERS</b>	<b>TRS</b>	<b>SURS</b>	<b>GARS</b>	<b>JRS</b>	<b>Total</b>
Beginning Net Assets <sup>(2)</sup>	\$19,197,272	\$52,316,478	\$19,617,016	\$63,012	\$1,112,885	\$92,306,663
<b>Income</b>						
Member Contributions	\$280,584	\$1,023,532	\$288,476	\$1,238	\$14,600	1,608,430
State and Employer Contributions	2,478,210	5,238,242	1,978,743	27,299	148,625	9,871,119
Investment Income	4,756,150	13,046,154	4,762,970	14,630	275,453	22,855,356
Total	\$7,514,944	\$19,307,928	\$7,030,189	\$43,167	\$438,678	\$34,334,906
<b>Expenditures</b>						
Benefits and Refunds	\$2,870,651	\$7,388,143	\$2,859,503	\$26,219	\$173,495	\$13,318,010
Administration	16,577	23,758	19,389	331	1,013	61,068
Total	\$2,887,228	\$7,411,901	\$2,878,892	\$26,549	\$174,508	\$13,379,079
Ending Net Assets (Fair value)	\$23,824,988	\$64,212,505	\$23,768,313	\$79,629	\$1,377,055	\$113,262,490
Actuarial Value of Assets	21,323,631	58,979,923	21,484,799	72,183	1,227,406	103,087,942
Actuarial Accrued Liabilities	51,828,480	138,914,275	48,898,480	373,724	2,920,600	242,935,559
UAAL (Fair Value)	28,003,493	74,701,770	25,130,167	294,095	1,543,545	129,673,069
UAAL (Actuarial Value) <sup>(3)</sup>	30,504,850	79,934,352	27,413,681	301,541	1,693,194	139,847,617
Funded Ratio (Fair Value)	46.0%	46.2%	48.6%	21.3%	47.2%	46.6%
Funded Ratio (Actuarial Value) <sup>(3)</sup>	41.1%	42.5%	43.9%	19.3%	42.0%	42.4%

Source: Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2021. Table may not add due to rounding. Certain information was provided by the Retirement Systems.

- (1) The RSP, which is presented in tables B-7 through B-10 herein, is no longer available due to the adoption of GASB Statements No. 84 and 97. The implementation requires that SURS exclude financial information which are not under its direct control. The RSP is a defined contribution and, by definition, is fully funded and does not carry unfunded liability
- (2) Reflects valuation of assets on a fair value basis as of June 30, 2021.
- (3) The actuarial value is determined by the methods as discussed in "ACTUARIAL METHODS - Actuarial Value of Assets."

**TABLE B-7**  
**FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS**  
**FISCAL YEAR 2020**  
**(\$ IN THOUSANDS)**

	<b>SERS</b>	<b>TRS</b>	<b>SURS</b>	<b>GARS</b>	<b>JRS</b>	<b>Total</b>	<b>Retirement Savings Plan of SURS<sup>(1)</sup></b>
Beginning Net Assets <sup>(2)</sup>	\$18,491,889	\$53,262,789	\$19,717,348	\$59,719	\$1,073,104	\$92,604,849	\$2,729,607
<b>Income</b>							
Member Contributions	\$271,749	\$994,400	\$282,367	\$1,206	\$14,508	\$1,564,230	\$95,728
State and Employer Contributions	2,368,905	4,906,110	1,838,786	25,754	144,160	9,283,715	78,253
Investment Income	829,329	275,669	542,178	2,581	48,127	1,697,884	223,640
Total	\$3,469,983	\$6,176,180	\$2,663,331	\$29,541	\$206,795	\$12,545,380	\$397,622
<b>Expenditures</b>							
Benefits and Refunds	\$2,747,187	\$7,099,525	\$2,745,194	\$25,848	\$165,982	\$12,783,736	\$103,336
Administration	17,413	22,966	18,469	401	1,032	60,281	765
Total	\$2,764,599	\$7,122,491	\$2,763,663	\$26,248	\$167,014	\$12,844,015	\$104,101
Ending Net Assets (Fair value)	\$19,197,272	\$52,316,478	\$19,617,016	\$63,012	\$1,112,885	\$92,306,663	\$3,023,127
Actuarial Value of Assets	19,389,501	54,890,976	20,091,675	63,880	1,121,251	95,557,283	N/A
Actuarial Accrued Liabilities	50,145,831	135,598,547	47,580,470	373,494	2,849,869	236,548,211	N/A
UAAL (Fair Value)	30,948,559	83,282,069	27,963,454	310,482	1,736,984	144,241,548	N/A
UAAL (Actuarial Value) <sup>(3)</sup>	30,756,330	80,707,571	27,488,795	309,614	1,728,618	140,990,928	N/A
Funded Ratio (Fair Value)	38.3%	38.6%	41.2%	16.9%	39.0%	39.0%	N/A
Funded Ratio (Actuarial Value) <sup>(3)</sup>	38.7%	40.5%	42.2%	17.1%	39.3%	40.4%	N/A

Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2020. Table may not add due to rounding. Certain information was provided by the Retirement Systems.

- (1) The RSP is not included in the totals. The RSP 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, 2020.
- (3) The actuarial value is determined by the methods as discussed in "ACTUARIAL METHODS - Actuarial Value of Assets."

**TABLE B-8**  
**FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS**  
**FISCAL YEAR 2019**  
**(\$ IN THOUSANDS)**

	<b>SERS</b>	<b>TRS</b>	<b>SURS</b>	<b>GARS</b>	<b>JRS</b>	<b>Total</b>	<b>Retirement Savings Plan of SURS<sup>(1)</sup></b>
Beginning Net Assets <sup>(2)</sup>	\$17,463,278	\$ 51,969,547	\$19,321,076	\$ 56,816	\$1,012,485	\$89,823,202	\$2,500,452
<b>Income</b>							
Member Contributions	\$ 275,675	\$963,972	\$ 280,018	\$ 1,317	\$ 14,610	\$ 1,535,592	\$ 88,571
State and Employer Contributions	2,274,925	4,554,535	1,642,054	23,253	140,519	\$ 8,635,286	71,233
Investment Income	1,118,429	2,617,831	1,129,813	3,449	64,741	\$ 4,934,263	162,650
Total	\$ 3,669,029	\$ 8,136,339	\$ 3,051,885	\$ 28,020	\$ 219,870	\$ 15,105,143	\$ 322,454
<b>Expenditures</b>							
Benefits and Refunds	\$ 2,625,440	\$ 6,818,761	\$ 2,639,529	\$ 24,727	\$ 158,341	\$ 12,266,798	\$ 92,720
Administration	14,979	24,336	16,084	390	911	\$56,700	579
Total	\$ 2,640,419	\$ 6,843,096	\$ 2,655,613	\$ 25,117	\$ 159,251	\$ 12,323,496	\$ 93,299
Ending Net Assets (Fair value)	\$18,491,889	\$ 53,262,789	\$19,717,348	\$ 59,719	\$1,073,104	\$ 92,604,849	\$2,729,607
Actuarial Value of Assets	18,429,186	53,391,193	19,661,891	60,057	1,068,740	\$ 92,611,066	N/A
Actuarial Accrued Liabilities	48,731,439	131,456,969	46,443,937	374,597	2,793,016	\$229,799,959	N/A
UAAL (Fair Value)	30,239,550	78,194,180	26,726,589	314,878	1,719,913	\$137,195,110	N/A
UAAL (Actuarial Value) <sup>(3)</sup>	30,302,254	78,065,776	26,782,046	314,540	1,724,277	\$137,188,893	N/A
Funded Ratio (Fair Value)	37.9%	40.5%	42.5%	15.9%	38.4%	40.3%	N/A
Funded Ratio (Actuarial Value) <sup>(3)</sup>	37.8%	40.6%	42.3%	16.0%	38.3%	40.3%	N/A

Source: Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2019. Table may not add due to rounding. Certain information was provided by the Retirement Systems.

- (1) The RSP is not included in the totals. The RSP 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, 2019.
- (3) The actuarial value is determined by the methods as discussed in "ACTUARIAL METHODS - Actuarial Value of Assets."

**TABLE B-9**  
**FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS**  
**FISCAL YEAR 2018**  
**(\$ IN THOUSANDS)**

	<b>SERS</b>	<b>TRS</b>	<b>SURS</b>	<b>GARS</b>	<b>JRS</b>	<b>Total</b>	<b>Retirement Savings Plan of SURS<sup>(1)</sup></b>
Beginning Net Assets <sup>(2)</sup>	\$16,530,180	\$ 49,375,665	\$18,484,820	\$ 54,349	\$ 941,804	\$ 85,386,818	\$2,170,251
<b>Income</b>							
Member Contributions	\$ 254,442	\$ 938,037	\$ 282,726	\$ 1,255	\$ 14,296	\$1,490,756	\$ 84,219
State and Employer Contributions	1,929,175	4,179,758	1,607,880	21,155	135,962	\$7,873,930	69,432
Investment Income	1,257,040	4,049,272	1,499,829	3,734	69,950	\$6,879,825	259,006
Total	\$ 3,440,657	\$ 9,167,067	\$ 3,390,435	\$ 26,144	\$220,208	\$ 16,244,511	\$ 412,657
<b>Expenditures</b>							
Benefits and Refunds	\$ 2,492,301	\$ 6,551,634	\$ 2,539,783	\$ 23,328	\$ 148,629	\$ 11,755,675	\$ 82,004
Administration	15,258	21,551	14,397	348	897	\$ 52,451	452
Total	\$ 2,507,559	\$ 6,573,185	\$ 2,554,180	\$ 23,676	\$ 149,526	\$ 11,808,126	\$ 82,456
<b>Ending Net Assets (Fair value)</b>							
Actuarial Value of Assets	\$17,463,278	\$ 51,969,547	\$19,321,075	\$ 56,816	\$1,012,485	\$ 89,823,201	\$2,500,452
Actuarial Value of Assets	17,478,140	51,730,890	19,347,886	57,618	1,012,757	\$ 89,627,291	N/A
Actuarial Accrued Liabilities	47,925,683	127,019,330	45,258,751	375,779	2,721,853	\$223,301,396	N/A
UAAL (Fair Value)	30,462,405	75,049,783	25,937,676	318,962	1,709,368	\$133,478,194	N/A
UAAL (Actuarial Value) <sup>(3)</sup>	30,447,543	75,288,440	25,910,865	318,160	1,709,096	\$133,674,104	N/A
Funded Ratio (Fair Value)	36.4%	40.9%	42.7%	15.1%	37.2%	40.2%	N/A
Funded Ratio (Actuarial Value) <sup>(3)</sup>	36.5%	40.7%	42.7%	15.3%	37.2%	40.1%	N/A

Source: Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2018. Table may not add due to rounding. Certain information was provided by the Retirement Systems.

- (1) The RSP is not included in the totals. The RSP 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, 2017.
- (3) The actuarial value is determined by the methods as discussed in "ACTUARIAL METHODS - Actuarial Value of Assets."

**TABLE B-10**  
**FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS**  
**FISCAL YEAR 2017**  
**(\$ IN THOUSANDS)**

	<b>SERS</b>	<b>TRS</b>	<b>SURS</b>	<b>GARS</b>	<b>JRS</b>	<b>Total</b>	<b>Retirement Savings Plan of SURS<sup>(1)</sup></b>
Beginning Net Assets <sup>(2)</sup>	\$15,038,528	\$ 45,250,957	\$17,005,630	\$ 49,052	\$ 840,289	\$ 78,184,456	\$1,825,506
<b>Income</b>							
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
<b>Expenditures</b>							
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) <sup>(3)</sup>	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) <sup>(3)</sup>	35.5%	40.3%	44.4%	14.9%	35.6%	39.9%	N/A

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 RSP is not included in the totals. The RSP 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 B-11**  
**FINANCIAL CONDITION OF THE RETIREMENT SYSTEMS**  
**FISCAL YEAR 2016**  
**(\$ IN THOUSANDS)**

	<b>SERS</b>	<b>TRS</b>	<b>SURS</b>	<b>GARS</b>	<b>JRS</b>	<b>Total</b>	<b>Retirement Savings Plan of SURS<sup>(1)</sup></b>
Beginning Net Assets <sup>(2)</sup>	\$15,258,867	\$ 46,406,916	\$17,462,968	\$ 54,574	\$ 833,910	\$ 80,017,235	\$1,753,554
<b>Income</b>							
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
<b>Expenditures</b>							
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) <sup>(3)</sup>	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) <sup>(3)</sup>	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 RSP is not included in the totals. The RSP 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 B-11 presents information regarding the aggregate funding progress of the Retirement Systems for Fiscal Years 2012 through 2021.

**TABLE B-11 - SCHEDULE OF FUNDING PROGRESS<sup>(1)</sup>**  
**FAIR VALUE OF ASSETS AND ACTUARIAL VALUE OF ASSETS**  
**(\$ IN MILLIONS)**

BASED ON FAIR VALUE OF ASSETS

<b>FY</b>	<b>Fair Value of Assets<sup>(2)</sup></b> (a)	<b>Actuarial Accrued Liability</b> (b)	<b>UAAL</b> (b-a)	<b>Funded Ratio</b> (a/b)	<b>Payroll</b> (c)	<b>UAAL as a % of Payroll</b> ([b-a]/c)
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%
2018	89,823	223,301	133,478	40.2%	18,021	740.7%
2019	92,605	229,800	137,195	40.3%	18,726	732.6%
2020	92,307	236,548	144,242	39.0%	19,161	752.8%
2021	113,262	242,936	129,673	46.6%	19,629	660.6%

BASED ON ACTUARIAL VALUE OF ASSETS

<b>FY</b>	<b>Actuarial Value of Assets<sup>(3)</sup></b> (a)	<b>Actuarial Accrued Liability</b> (b)	<b>UAAL</b> (b-a)	<b>Funded Ratio</b> (a/b)	<b>Payroll</b> (c)	<b>UAAL as a % of Payroll</b> ([b-a]/c)
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%
2018	89,627	223,301	133,674	40.1%	18,021	741.8%
2019	92,611	229,800	137,189	40.3%	18,726	732.6%
2020	95,557	236,548	140,991	40.4%	19,161	735.8%
2021	103,088	242,936	139,848	42.4%	19,629	712.5%

Source: Comprehensive Annual Financial Reports of the Retirement Systems for the fiscal years ending June 30, 2012, through June 30, 2021.

- (1) The RSP is not included in the totals. The RSP 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) The actuarial value of assets is 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 B-12A presents the Net Pension Liability of each Retirement System as of June 30 of the years 2014 through 2021. Table B-12B provides information regarding the impact of potential changes to the Discount Rate on the Net Pension Liability for fiscal year ended June 30, 2021. 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 B-12A - NET PENSION LIABILITY<sup>(1)</sup>**

	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>	<b>Plan Net Position as a Percentage of Total Pension Liability</b>
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%
2018	129,914	51,970	77,945	40.0%
2019	134,371	53,263	81,108	39.6%
2020	138,532	52,316	86,215	37.8%
2021	142,224	64,213	78,011	45.1%
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%
2018	46,816	19,321	27,495	41.3%
2019	48,437	19,717	28,720	40.7%
2020	50,237	19,617	30,620	39.1%
2021	52,297	23,768	29,529	45.5%
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%
2018	50,520	17,463	33,056	34.6%
2019	51,886	18,492	33,394	35.6%
2020	54,065	19,197	34,868	35.5%
2021	56,984	23,883	33,101	41.9%
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%
2018	2,784	1,013	1,771	36.4%
2019	2,850	1,073	1,777	37.7%
2020	2,936	1,113	1,823	37.9%
2021	3,052	1,380	1,671	45.2%
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%
2018	383	57	326	14.8%
2019	382	60	322	15.7%
2020	382	63	319	16.5%
2021	382	80	305	20.8%
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%
2018	230,416	89,824	140,594	39.0%
2019	237,926	92,605	145,321	38.9%
2020	246,152	92,306	153,845	37.5%
2021				

Source: The Actuarial Valuations and, with respect to SURS, SERS, GARS and JRS, the GASB 67/68 Statements, of the Retirement Systems for the fiscal years ended June 30, 2014 through June 30, 2021.

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

**TABLE B-12B - SENSITIVITY OF NET PENSION LIABILITY TO  
CHANGES IN THE DISCOUNT RATE <sup>(1)</sup>**

	FISCAL YEAR 2021		
	1% DECREASE	CURRENT	1% INCREASE
<b>TRS</b>			
Discount Rate	6.00%	7.00%	8.00%
Net Pension Liability	\$96,615	\$78,011	\$62,558
<b>SURS</b>			
Discount Rate	5.12%	6.12%	7.12%
Net Pension Liability	\$35,001	\$28,529	\$23,155
<b>SERS</b>			
Discount Rate	5.20%	6.20%	7.20%
Net Pension Liability	\$40,845	\$33,101	\$26,745
<b>GARS</b>			
Discount Rate	5.30%	6.30%	7.30%
Net Pension Liability	\$347	\$305	\$269
<b>JRS</b>			
Discount Rate	5.12%	6.12%	7.12%
Net Pension Liability	\$2,008	\$1,671	\$1,386

Source: The Actuarial Valuations and, with respect to SURS, SERS, GARS and JRS, the GASB 67/68 Statements, of the Retirement Systems for the fiscal year ended June 30, 2021.

(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 B-13 provides information regarding the sources of the change in the UAAL for the Retirement Systems from Fiscal Years 2012 through 2021. The UAAL on an actuarial basis increased from approximately \$94.6 billion at the end of Fiscal Year 2012 to approximately \$139.8 billion at the end of Fiscal Year 2021, an increase of approximately \$45.3 billion. No assurances can be given that the State will make the appropriations necessary to meet any deficiencies incurred by the Retirement Systems.

**TABLE B-13 - COMPONENTS OF CHANGE IN UNFUNDED LIABILITY**

<b>Fiscal Year</b>	<b>Salary Increases/ (Decreases)</b>	<b>Investment Returns (Higher)/Lower Than Assumed<sup>(2)</sup></b>	<b>Employer Contributions (Higher)/Lower than Normal Cost Plus Interest<sup>(3)</sup></b>	<b>Benefit Increases</b>	<b>Changes In Actuarial Assumptions</b>	<b>Other Factors<sup>(4)</sup></b>	<b>Total Change in Unfunded Liability From Previous Year</b>
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
2018	(342.1)	(500.4)	3,189.1	0.0	864.4	1,603.0	4,814.0
2019	(162.4)	997.3	2,719.9	0.0	(259.7)	219.7	3,514.8
2020	17.1	1,374.4	2,226.6	0.0	0.0	182.9	3,801.0
2021	290.8	(2,924.3)	(1,838.4)	0.0	(179.6)	(169.0)	(4,820.5)
<b>Total</b>	<b>\$(4,728.4)</b>	<b>\$(1,339.5)</b>	<b>\$25,506.6</b>	<b>\$0.0</b>	<b>\$27,456.7</b>	<b>\$6,379.7</b>	<b>\$53,274.1</b>

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 through Fiscal Year 2021 was provided by the Retirement Systems.

- (1) Dollars in millions. Table may not add due to rounding.
- (2) Investment returns 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 B-14 provides a projection of the State's Required Annual Statutory Contribution and Table B-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. The projections were derived from the Actuarial Valuations of the Retirement Systems for the Fiscal Year ended June 30, 2021. 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. These projections do not consider the effect of the COVID-19 pandemic and the response thereto on the State's future Required Annual Statutory Contributions or future funding status of the Retirement Systems. The State makes no prediction as to the degree of the impact of COVID-19 on the value of the assets of the Retirement Systems or the effect thereof on the State's future Required Annual Statutory Contributions and future funding status. See "HISTORY OF CONTRIBUTIONS TO THE RETIREMENT SYSTEMS" herein.

**TABLE B-14 - PROJECTED REQUIRED ANNUAL STATUTORY CONTRIBUTIONS TO THE RETIREMENT SYSTEMS<sup>1)</sup>**

<b>Fiscal Year</b>	<b>Projected Required Annual Statutory Contributions<sup>(1)</sup></b>
2022	\$10,519
2023	10,631
2024	10,710
2025	10,784
2030	11,461
2035	13,312
2040	14,638
2045	16,296

Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2021.

(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 B-15- PROJECTION OF FUTURE RETIREMENT SYSTEMS FUNDING STATUS<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Actuarial Value of Assets<sup>(2)</sup></b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Accrued Actuarial Liabilities (UAAL)</b>	<b>Funded Ratio</b>
	(a)	(b)	(b-a)	(a/b)
2022	\$108,787	249,011	140,224	43.7%
2023	116,064	254,988	138,924	45.5%
2024	123,594	260,822	137,228	47.4%
2025	131,965	266,619	134,654	49.5%
2030	161,044	292,432	131,388	55.1%
2035	193,561	311,184	117,623	62.2%
2040	234,355	321,038	86,683	73.0%
2045	289,983	322,002	32,019	90.1%

Source: Annual Actuarial Valuations of the Retirement Systems as of June 30, 2021.

(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.

Public Act 96-889 (“PA 96-889”), enacted into law on April 14, 2010, 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 on or after January 1, 2011 (“Tier 2 Employees”), as compared to those provided to State employees who commenced employment prior to January 1, 2011 (“Tier 1 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 3 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 2 Employees will exceed the number of Tier 1 Employees beginning in Fiscal Year 2023.

### **2013 LEGISLATION MODIFYING PENSION STRUCTURE**

PA 98-599 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 98-599 was scheduled to take effect on June 1, 2014. However, PA 98-599 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 98-599.

### **2017 LEGISLATION MODIFYING PENSION STRUCTURE**

Public Act 100-23, which became effective on July 6, 2017, included several reforms to the Retirement Systems. Specifically, Public Act 100-23: (i) established a new benefit plan for Tier 3 Employees (as hereinafter defined), (ii) shifted certain pension costs to local employers participating in a Retirement System, and (iii) smoothed changes in the State's contributions to the Retirement Systems resulting from changes in actuarial assumptions by the Retirement Systems.

*Creation and Current Status 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 3 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 was not implemented during Fiscal Years 2018, 2019, 2020 or 2021. The Retirement Systems believe that legislative changes to resolve conflicts between Public Act 100-23 and the Internal Revenue Code are necessary to implement the provisions of Public Act 100-23. Such legislation has not been adopted as of the date hereof, and the Retirement Systems expect that the Tier 3 plan will not be implemented until such legislation is adopted.

If the Tier 3 plan is ultimately implemented, it 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 \$142,800);
- 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 3 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 3 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 3 Employees. Employees hired after the implementation of the combination Tier 3 plan will have the option to irrevocably elect to receive Tier 2 benefits and, with respect to SURS, the Self-Managed Plan (recently renamed the "Retirement Savings Plan"). In addition, Tier 2 Employees hired prior to the implementation of the Tier 3 plan will be provided the opportunity to irrevocably elect to become Tier 3 Employees under Public Act 100-23.

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 3 Employees and Tier 2 Employees who elect to become Tier 3 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.

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 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.

#### **ACCELERATED PENSION BENEFIT PAYMENT PROGRAM AND OTHER PROVISIONS UNDER PUBLIC ACT 100-587**

Public Act 100-587, which became effective on June 4, 2018 ("P.A. 100-587"), establishes two programs pursuant to which eligible members of the Retirement Systems may forego certain benefits to which they are entitled under the Pension Code in exchange for a payment from the State. The first program, which is available to Tier 1 and Tier 2 members of the TRS, SURS and SERS meeting certain eligibility requirements set forth in P.A. 100-587, provides that an eligible member may forfeit rights to future benefit payments in exchange for an accelerated pension benefit payment equal to 60% of the present value of the pension benefit to which the member is entitled (the "Pension Buyout Program"). The second program, which is available only to Tier 1 members of TRS, SURS and SERS meeting certain eligibility requirements set forth in P.A. 100-587, provides that an eligible member may forfeit the 3%, compounded automatic annual increase ("AAI") in exchange for (i) a delayed 1.5% non-compounded AAI and an accelerated pension benefit payment from the State equal to 70% of the difference in the present value of such AAIs (the "AAI Reduction Program" and, together with the Pension Buyout Program, the "Programs"). P.A. 102-718, which became effective on May 5, 2022, extended the Programs and provided additional authorization to the State to borrow to fund the Programs.

Each of the Programs has separate eligibility rules. To be eligible for the Pension Buyout Program, a member must (i) have terminated service, (ii) have accrued sufficient service credit to be eligible to receive a retirement annuity under the applicable article of the Pension Code, and (iii) not have received any retirement annuity under the applicable article of the Pension Code. To be eligible for the AAI Reduction Program, a member must (i) submit an application for a retirement annuity under the applicable article of the Pension Code, (ii) meet the age and service requirements for receiving a retirement annuity under the applicable article of the Pension Code and (iii) not have received any retirement annuity under the applicable article of the Pension Code. In addition, eligible members may participate in only one of the Programs.

With respect to the Pension Buyout Program, eligible members may make the election to participate in such program until June 30, 2026. Such election may be made only after such member has requested a determination by the applicable Retirement System of the amount of the accelerated pension benefit payment offered pursuant to the Pension Buyout Program.

With respect to the AAI Reduction Program, P.A. 100-587 directs each of the applicable Retirement Systems to implement the AAI Reduction Program. Upon the request of an eligible member, the applicable Retirement System will calculate the accelerated pension benefit payment and will offer such payment to the eligible member. Eligible members will then have the opportunity to irrevocably elect to participate in the AAI Reduction Program until June 30, 2024. Such election must be made prior to the eligible member receiving the first payment of a retirement annuity otherwise payable under the applicable article of the Pension Code. Public Act 101-0010 (enacted June 5, 2019) extended the end date of the Programs from June 30, 2021 to June 30, 2024, and P.A. 102-718 extended the Programs' end date from June 30, 2024, to June 30, 2026.

P.A. 100-587 provides that, upon receipt by a Retirement System of an election by an eligible member to participate in either of the Programs, such Retirement System will submit a voucher to the Comptroller for payment of the applicable accelerated pension benefit payment. To finance the costs of the Programs, P.A. 100-587 authorizes the issuance of the Section 7.7 Bonds (as defined in the Official Statement) in the amount of \$1,000,000,000 and establishes the State Pension Obligation Acceleration Bond Fund (the "Acceleration Fund"). The proceeds of the Section 7.7 Bonds will be deposited into the Acceleration Fund and be used to make the accelerated pension benefit payments as described in this Section. The bond proceeds deposited into the Acceleration Fund constitute the only authorized source of funding for accelerated pension benefit payments, therefore requiring the State to issue Section 7.7 Bonds for the Programs to be operational. P.A. 102-718 increased the State's authorization to issue Section 7.7 Bonds to \$2,000,000,000. Following the issuance of the June 2022A Bonds, the State will have issued \$1,009,632,800\* of the Section 7.7 Bonds so authorized.

The State expects that the Programs will, taken independently of other factors, cause a reduction in the UAAL of the applicable Retirement Systems, however, the State is unable to quantify the amount or timing of any such reduction at this time. The State provides no assurance as to whether the Programs will be implemented or the degree to which members choose to participate in the Programs. Any reduction in the UAAL is dependent on the implementation of, participation by members in and funding of the Programs.

*Status of the Programs.* SERS began offering accelerated pension benefits pursuant to its AAI Reduction Program to applicants for retirement in December 2018 and began offering the Pension Buyout Program to eligible inactive vested members in April 2019. As of May 5, 2022, SERS has processed payments totaling \$312.6 million for accelerated pension benefits: \$298.4 million for 2,769 retirees participating in the AAI Reduction Program and \$14.2 million for 95 eligible inactive vested members in the Pension Buyout Program. As of May 5, 2022, the participation rate for the AAI Reduction Program is 26.1% and the average payout is \$107,800; the participation rate for the Pension Buyout Program is less than 1% and the average payout is \$149,500. SERS typically administers approximately 3,000 retirements annually.

TRS opened its AAI Reduction Program in January 2019 and its Pension Buyout Program in September 2019. As of March 12, 2022, TRS has expended bond proceeds totaling \$558.1 million for accelerated pension benefits: \$334.5 million for 2,491 retirees participating in the AAI Reduction Program and \$224.3 million for 1,816 eligible inactive vested members in the Pension Buyout Program. Additional accelerated pension benefit transactions have been processed for

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\* Preliminary, subject to change.

payment from bond proceeds. As of March 12, 2022 the participation rate for the AAI Reduction Program is 20.0% and the average payout is \$134,267; the participation rate for the Pension Buyout Program is 11.0% and the average payout is \$123,515.

SURS began implementing both the AAI Reduction and the Pension Buyout Program on June 10, 2019. As of March 31, 2022, SURS has expended bond proceeds totaling approximately \$32.6 million for accelerated pension benefits: \$12.5 million for 126 retirees participating in the AAI Reduction Program and \$20.1 million for 63 eligible inactive vested members in the Pension Buyout Program. As of March 31, 2022, the participation rate for the AAI Reduction Program was approximately 1.6%, and the average payment was \$99,247; the participation rate for the Pension Buyout Program is less than 1% and the average payment was \$318,796. SURS has approximately 11,000 inactive vested members and 19,000 Tier 1 members who are retirement-eligible. SURS typically administers approximately 2,500 retirements.

In addition to this program, members of the SURS portable plan (the “Portable Plan”) are able to take a lump sum refund (the “Portable Lump Sum”) pursuant to which they receive a one-time payment of employee contributions, matching employer contributions, and full interest at the effective rate in exchange for forfeiting all accrued rights and benefits in SURS. The Portable Lump Sum may exceed the buyout amounts offered under other programs. Since 2019, SURS has issued \$108.2 million in Portable Lump Sum refunds to 784 SURS members.

## **RECENT REPORTS REGARDING THE RETIREMENT SYSTEMS**

### *State Actuary’s Fiscal Year 2021 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 2021 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 2021 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, among other things, to include certain additional disclosures in future 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, and for the conduct of periodic, independent, actuarial audits by SERS, JRS, and GARS. 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 July 2021, on the financial condition of the Retirement Systems as of June 30, 2020 (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 Public Act 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 is available from the SEC. 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 contributes to three separate programs to provide other post-employment benefits (“OPEB”) to State employees: (i) the State Employees Group Insurance Program (“SEGIP”), (ii) the Teachers’ Retirement Insurance Program (“TRIP”) and (iii) the College Insurance Program (“CIP” and, together with SEGIP and TRIP, the “OPEB Programs”).

SEGIP is established pursuant to the State Employees Group Insurance Act of 1971 (“Group Insurance Act”), as amended, and 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 SEGIP benefits 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 SEGIP with a special funding situation for employees of the State’s component unit universities.

The TRIP program provides OPEB to certain members covered under the TRS pension, and the CIP provides OPEB to retired employees and their dependents of State community college districts, excluding Chicago.

As of June 30, 2019, 226,796 employees were covered by the OPEB Programs, consisting of (i) 107,796 active employees, (ii) 24,200 inactive employees entitled to but not yet receiving benefit payments and (iii) 94,800 inactive employees or beneficiaries currently receiving benefit payments.

### **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. 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 was calculated, prior to Fiscal Year 2018 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 differed 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 Table B-16. This table relates only to the State’s SEGIP liability. Information with respect to the SEGIP liability under GASB Statement No. 75 is available in the Actuarial Valuation of SEGIP as of June 30, 2020. See APPENDIX F—Website Index herein.

**TABLE B-16**  
**TOTAL OPEB LIABILITY**  
**OBLIGATION FISCAL YEAR 2020**  
**(\$ IN THOUSANDS)**

Service Cost	\$ 1,454,468
Interest on the total OPEB liability	1,174,779
Difference between expected and actual experience	239,944
Changes of Assumptions	(3,233,540)
Benefit Payments	(1,158,194)
Net Change in OPEB liability	\$(1,522,543)
Net OPEB Obligations at June 30, 2019	\$43,889,169
Net OPEB Obligations at June 30, 2020	\$42,366,626

Source: SEGIP 2020 Actuarial Valuation.

The State adopted 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 adoption of GASB 75 resulted in significant changes to the presentation of the State’s OPEB liability in the Fiscal Year 2018 ACFR, including changes to the amount recognized by the State as a liability with respect to OPEB.

The total Fiscal Year 2020 OPEB liability pursuant to GASB Statement No. 75, for the three OPEB Programs as of June 30, 2020 was a combined \$58.660 billion.

The total OPEB liability of the three OPEB Programs as of June 30, 2020 were as follows: (i) SEGIP - \$42.367 billion (including liability amounts allocated to component units of the State), (ii) TRIP - \$15.382 billion, and (iii) CIP – \$0.911 billion. The State’s contributions to the three plans for fiscal year 2020 were as follows: (i) for SEGIP, \$2.547 billion (including liability amounts allocated to component units of the State), (ii) for TRIP, \$133.896 million, and (iii) for CIP, \$4.598 million.

**APPENDIX C**

**FORM OF APPROVING OPINION 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 \$\_\_\_\_\_ General Obligation Bonds, Series of June 2022, dated the date hereof, in two separate series: Series of June 2022A in the principal amount of \$\_\_\_\_\_ (the “*June 2022A Bonds*”), and Refunding Series of June 2022B in the principal amount of \$\_\_\_\_\_ (the “*June 2022B Bonds*” and together with the June 2022A Bonds, the “*Bonds*”). The Bonds mature on March 1 of the years, in the amounts and bear interest as follows:

**JUNE 2022A BONDS**

YEAR OF MATURITY (MARCH 1)	PRINCIPAL AMOUNT	RATE OF INTEREST
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**JUNE 2022B BONDS**

YEAR OF MATURITY (MARCH 1)	PRINCIPAL AMOUNT	RATE OF INTEREST
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The June 2022A Bonds maturing on March 1, 20\_\_, are subject to mandatory sinking fund redemption in part at a redemption price of par plus accrued interest to the date of redemption on March 1 of the years and in the respective principal amounts as follows:

YEAR	PRINCIPAL AMOUNT TO BE REDEEMED
20__	
20__	
20__	
20__	
20__ (stated maturity)	

The Bonds maturing on and after March 1, 20\_\_, 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, on March 1, 20\_\_, 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 under the Internal Revenue Code of 1986, as amended. 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.

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## APPENDIX D

### 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 Underwriters 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 Underwriters 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 Securities Exchange Act of 1934, as amended. 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 S&P 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](http://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.

All capitalized terms used in this Appendix D and not defined shall have the meanings ascribed to such terms in the body of the Official Statement.

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## APPENDIX E

### 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 \$ \_\_\_\_\_ General Obligation Bonds, Series of June 2022, in two separate series: \$ \_\_\_\_\_ Series of June 2022A (the “June 2022A Bonds”), and \$ \_\_\_\_\_ Refunding Series of June 2022B (the “June 2022B Bonds” and, together with the June 2022A Bonds, the “Bonds”), each dated the date hereof. 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 \_\_\_\_\_, 2022 (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 Annual Comprehensive Financial Report of the State (“Annual Report”) 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.

*Financial Obligation* of the State means (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or

planned debt obligation, or (iii) guarantee of (i) or (ii), *provided*, that such term does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

*MSRB* means the Municipal Securities Rulemaking Board.

*Official Statement* means the Official Statement, dated December 1, 2021, 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: Alexis Sturm  
Address: 100 W. Randolph, 15-100  
Chicago, Illinois 60601

Date: \_\_\_\_\_, 2022

**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 APPENDIX A—State of Illinois, Tables II-5, II-4, II-7, II-8, III-1, III-3, III-4, III-5, III-7, and (ii) in APPENDIX B—PENSION AND OTHER POST-EMPLOYMENT BENEFITS, Tables B-5 and B-6.

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 an Official Statement, the Official Statement must be available on EMMA; the 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 Annual Report. Once available to the Governor’s Office of Management and Budget, the Annual Report will be submitted to EMMA within 30 days. The Annual Report 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
15. Incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the State, any of which affect security holders, if material
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

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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**

**JUNE 2022A BONDS**

YEAR OF MATURITY	CUSIP NUMBER (452153)
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**JUNE 2022B BONDS**

YEAR OF MATURITY	CUSIP NUMBER (452153)
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## APPENDIX F WEBSITE INDEX

Organization or Department	Website Address	Description of Website
State of Illinois	<a href="http://www.illinois.gov/">http://www.illinois.gov/</a>	Lead portal for all State information
GOMB	<a href="http://www2.illinois.gov/sites/budget/Pages/default.aspx">http://www2.illinois.gov/sites/budget/Pages/default.aspx</a> <a href="https://www2.illinois.gov/sites/budget/Pages/PolicyReports.aspx">https://www2.illinois.gov/sites/budget/Pages/PolicyReports.aspx</a>	Lead portal for the Governor's Budget Book, operating budgets, economic and fiscal reports and five year projections and quarterly reports
State of Illinois Capital Markets	<a href="http://www2.illinois.gov/sites/capitalmarkets/Pages/default.aspx">http://www2.illinois.gov/sites/capitalmarkets/Pages/default.aspx</a>	Lead portal to the State of Illinois Capital Markets
General Assembly	<a href="http://www.ilga.gov/commission/jcar/admincode/080/08002200sections.html">http://www.ilga.gov/commission/jcar/admincode/080/08002200sections.html</a>	Link to Illinois General Assembly's Administrative Code database - CMS State Employees Group Insurance Program Retiree Premium Contributions
Comptroller	<a href="http://www.illinoiscomptroller.gov/">http://www.illinoiscomptroller.gov/</a>	Lead portal for all Comptroller based information
Comptroller	<a href="https://illinoiscomptroller.gov/financial-data/find-a-report/comprehensive-reporting/comprehensive-annual-financial-report-Annual-Report/">https://illinoiscomptroller.gov/financial-data/find-a-report/comprehensive-reporting/comprehensive-annual-financial-report-Annual-Report/</a>	Link to Annual Report Library
Comptroller	<a href="https://illinoiscomptroller.gov/financial-data/find-a-report/budgetary-reporting/traditional-budgetary-financial-report/">https://illinoiscomptroller.gov/financial-data/find-a-report/budgetary-reporting/traditional-budgetary-financial-report/</a>	Link to the Traditional Budgetary Financial Report
General Assembly	<a href="http://www.ilga.gov/">http://www.ilga.gov/</a>	Lead portal to the Illinois General Assembly
Auditor General	<a href="http://www.auditor.illinois.gov/">http://www.auditor.illinois.gov/</a>	Lead portal to the Auditor General
College Illinois	<a href="https://www.collegeillinois.org/Downloads/Actuarial-Soundness-Val-21.pdf">https://www.collegeillinois.org/Downloads/Actuarial-Soundness-Val-21.pdf</a>	Link to the College Illinois actuarial report
Illinois Department of Revenue	<a href="http://iltax.org/">http://iltax.org/</a>	Lead portal to the Department of Revenue
Retirement Systems:		
TRs	<a href="http://trsil.org/">http://trsil.org/</a>	Lead portal to Teachers' Retirement System
SURS	<a href="http://www.surs.org/">http://www.surs.org/</a>	Lead portal to State Universities Retirement System
SERS	<a href="http://www2.illinois.gov/sites/SRS/SERS/Pages/default.aspx">http://www2.illinois.gov/sites/SRS/SERS/Pages/default.aspx</a>	Lead portal to State Employees' Retirement System
JRS	<a href="http://www2.illinois.gov/sites/SRS/JRS/Pages/default.aspx">http://www2.illinois.gov/sites/SRS/JRS/Pages/default.aspx</a>	Lead portal to Judges' Retirement System
GARS	<a href="http://www2.illinois.gov/sites/SRS/GARS/Pages/default.aspx">http://www2.illinois.gov/sites/SRS/GARS/Pages/default.aspx</a>	Lead portal to General Assembly Retirement System
COGFA	<a href="http://cgfa.ilga.gov/">http://cgfa.ilga.gov/</a> <a href="https://cgfa.ilga.gov/Upload/c2916ValSEGIP_GASB75_2020.pdf">https://cgfa.ilga.gov/Upload/c2916ValSEGIP_GASB75_2020.pdf</a>	Lead portal to COGFA, contains its report on the financial condition of the Retirement Systems SEGIP June 30, 2018 Actuarial Valuation
Illinois State Board of Investment	<a href="http://www.isbinvestment.com">http://www.isbinvestment.com</a>	Lead portal to the Illinois State Board of Investment
Illinois Department of Central Management Services	<a href="http://www.cms.illinois.gov/">http://www.cms.illinois.gov/</a>	Lead portal to the Illinois Department of Central Management Services
State Actuary Report	<a href="http://www.auditor.illinois.gov/Other-Public-Documents/State-Actuary-Reports.asp">http://www.auditor.illinois.gov/Other-Public-Documents/State-Actuary-Reports.asp</a>	Link to the Auditor General's State Actuary Reports
Electronic Municipal Market Access	<a href="http://emma.msrb.org/">http://emma.msrb.org/</a>	Lead portal to MSRB's EMMA

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**APPENDIX G  
GENERAL OBLIGATION BONDS REFUNDED BY THE BONDS**

This exhibit reflects the bonds anticipated to be refunded with the proceeds of the Bonds. The State reserves the right to change or modify the refunding plan, including the maturities and amounts thereof to be refunded. All information in this APPENDIX G is preliminary, subject to change.

*All of the Refunded Bonds will be redeemed on \_\_\_\_\_, 2022 at a redemption price of par plus accrued interest to the date of redemption.*

SERIES DESIGNATION	MATURITY DATE	INTEREST RATE	PAR AMOUNT	CUSIP NUMBER**
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\*\* CUSIP data herein is provided by CUSIP Global Services (“CGS”). CGS is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only 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.

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