



State of Illinois

General Obligation Bonds – Rating Agency Presentation
March 11, 2019

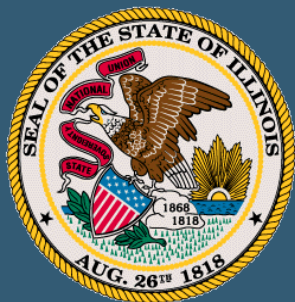


Table of Contents

1. Introduction	2
2. Economy	5
3. Budget	8
4. Fiscal Stabilization	14
5. Debt Overview	23
6. Plan of Finance	26



Presentation Participants



JB Pritzker
Governor

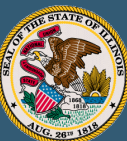
Anne Caprara
Governor's Chief of Staff

Alexis Sturm
Director of GOMB

Dan Hynes
Deputy Governor

Cameron Mock
*GOMB Chief of Staff and Senior
Fiscal Advisor*

Kelly Hutchinson
Director of Capital Markets



State of Illinois Presenting Team

The Honorable JB Pritzker, Governor of Illinois

Raised by parents who taught him to fight for progressive values from a young age, JB Pritzker has spent his life standing up for social and economic justice and expanding opportunity in communities across the state of Illinois.

Those values led JB to become a national leader in early childhood education, working for decades to create and expand early learning programs for low income children. After years of dedication, JB was asked by President Obama in 2014 to help organize the White House Summit on Early Childhood Education. In Illinois, JB recognized that thousands of children across the state go to school hungry every day, and kids can't learn well on an empty stomach. So JB partnered with the Greater Chicago Food Depository and Share our Strength to expand federal school breakfast grants in Illinois, making it possible for 230,000 more kids to get breakfast and start their day off right.

As a businessman and entrepreneur, JB has helped create thousands of jobs in Illinois. In 2012, JB founded 1871, a non-profit small business incubator. 1871 brought together the educational and civic resources to support startup businesses, and so far it has helped entrepreneurs create more than 8,000 good-paying jobs and hundreds of new companies in our state. Since the creation of 1871, Chicago has been named one of the top ten technology startup hubs in the world, and 1871 was named the best incubator in the world. JB is committed to helping entrepreneurs and small businesses get started and grow all across our state.

A staunch advocate for righting historic wrongs and fighting discrimination, JB has stood against hatred and bigotry throughout his life. JB was a key supporter of the Center on Wrongful Convictions at Northwestern University. The Center has become a national leader fighting to reform our criminal justice system, helping the accused prove their innocence. He also served as Chairman of the Illinois Human Rights Commission. As chairman, JB stood up for the rights of the disadvantaged, fighting for victims of gender, racial, religious, and sexual orientation discrimination and working to ensure people with disabilities have equal access to jobs and housing.

JB and his wife, MK, celebrated their 25th wedding anniversary in 2018, and they are the proud parents of a daughter, Teddi, and a son, Donny.



State of Illinois Presenting Team

Anne Caprara, Governor's Chief of Staff

Ms. Caprara recently served as campaign manager for JB Pritzker and Juliana Stratton's gubernatorial campaign. Caprara is a political professional with over 17 years of experience in Democratic campaigns and legislative offices. Caprara has managed and consulted with candidates and elected officials at every level of state and federal government. Caprara served as chief of staff to Congresswoman Betsy Markey from 2008 until 2010. Before that, Caprara served as Chief of Staff for Ohio Congresswoman Betty Sutton. Caprara also served as political director of the Democratic Senatorial Campaign Committee and Executive Director of Priorities USA during the 2016 election cycle. She obtained her Masters degree from George Washington University and her undergraduate degree from American University.

Dan Hynes, Deputy Governor

Mr. Hynes recently served as senior adviser to the Governor's transition committee and as a senior executive at UBS Asset Management in Chicago, following a distinguished 12-year career in public service as the Comptroller for the State of Illinois. Hynes was elected Comptroller in 1998 as the youngest state constitutional officer since World War II. He was re-elected in 2002 and 2006 by wide margins. In 2011, President Barack Obama named Hynes as the United States Observer to the International Fund for Ireland, which makes investments in Northern Ireland for the purpose of promoting peace and stability in the region. He received his Juris Doctor from the Loyola University School of Law and Bachelor of Arts in Economics from the University of Notre Dame.

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

Ms. Sturm, who joined GOMB as director in January 2019, has over 20 years of experience in Springfield working on state fiscal policy, debt management, and administration. Most recently, she was the director of cash management and bond reporting for the Office of the Comptroller. She previously worked at GOMB. From 2015 to 2017, she served as chief of staff and deputy director for debt, capital, and revenue and from 1997 to 2004, she worked in senior roles in debt management and revenue and economic analysis. From 2004 to 2015, Sturm served as director of research and fiscal reporting and senior fiscal advisor for the Office of the Comptroller. She received her Bachelor of Arts in Economics from Miami University and a Master of Arts in Economics from Washington University in St. Louis.

Kelly Hutchinson, Director of Capital Markets

Ms. Hutchinson joined GOMB as Director of Capital Markets in November of 2015. Prior to her current position, Ms. Hutchinson worked as Director and Chief Compliance Officer at a nationally-ranked financial advisory firm for over 10 years, advising large municipalities. She also worked in investment banking for several years. Ms. Hutchinson received her Bachelor's degree from Pomona College and her Juris Doctor from Tulane University Law School.

Cameron Mock, Chief of Staff and Senior Fiscal Advisor

Mr. Mock is Chief of Staff to the Governor's Office of Management and Budget (GOMB) and Senior Fiscal Advisor to the Deputy Governor. Previous to this role, he served as Senior Policy Advisor for Chicago Public Schools (CPS). Prior to joining CPS, Mr. Mock advised the Michigan Senate on education finance, economics and revenue, at the Senate Fiscal Agency and later joined GOMB in Illinois as Budget Manager. He received his BA in Political Science Pre-Law, with a minor in Philosophy & Law, and his Master of Public Policy (MPP) from Michigan State University, specializing in economics and public finance.



Illinois' Strong and Diverse Economy



The State's Credit Fundamentals Continue to Improve

Inherent Credit Strengths

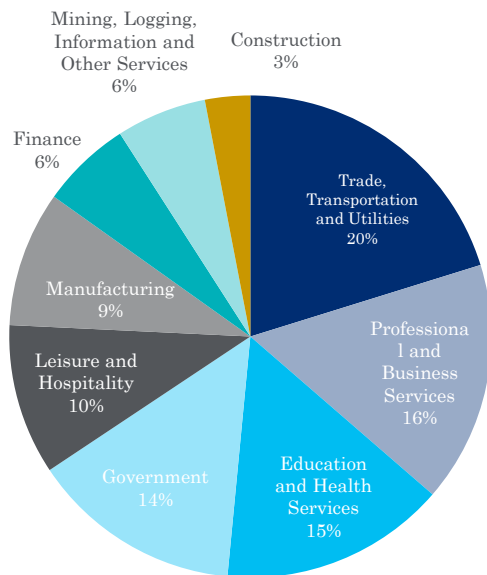
- ✓ Sovereign State with significant revenue flexibility
- ✓ Illinois' economy is the 5th largest in the United States and 19th largest worldwide
- ✓ Statutory provisions give priority to debt service over other State expenditures
- ✓ GO Bond debt service has a continuing appropriation, insulating it from political debates
- ✓ Debt service is limited to no more than 7% of General Funds and Road Fund Appropriations, unless waived by the Treasurer, the Comptroller, or by Statute
- ✓ As of March 1, 2019, the 2011 pension bonds are paid off, reducing pension general obligation bonds debt service by \$953 million and providing significant financial flexibility
- ✓ The State recently terminated all of its variable rate debt and associated interest rate swap agreements



Illinois' Strong Economic Foundation

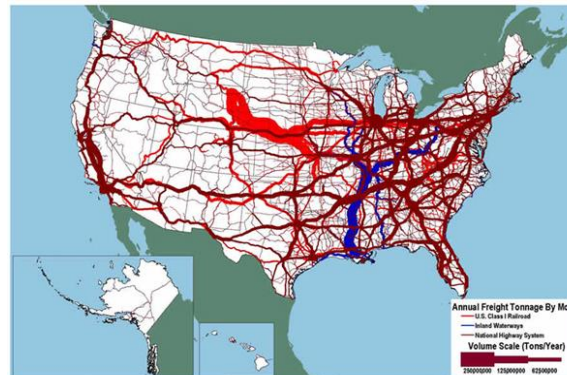
Strong and Diverse Economy

- ✓ Broad employment base with no industry accounting for more than 20%
- ✓ Illinois is well-positioned for long-term stability through economic cycles
- ✓ State's diversified economy is a major attraction for workers and recent graduates across the nation



Expansive Transportation Network

- ✓ The State is home to the 2nd and 25th busiest U.S. airports in O'Hare and Midway
- ✓ O'Hare is the Best Connected Airport in the US according to MIT's Airport Connectivity Quality Index
- ✓ Illinois is the only state where all 7 class I railroads in the United States operate. Train transit ridership is up nearly 54% over the past decade
- ✓ Five Major Trucking Routes Intersect in the State



#1
Best connected airport in the U.S. according to MIT's Airport Connectivity Quality Index

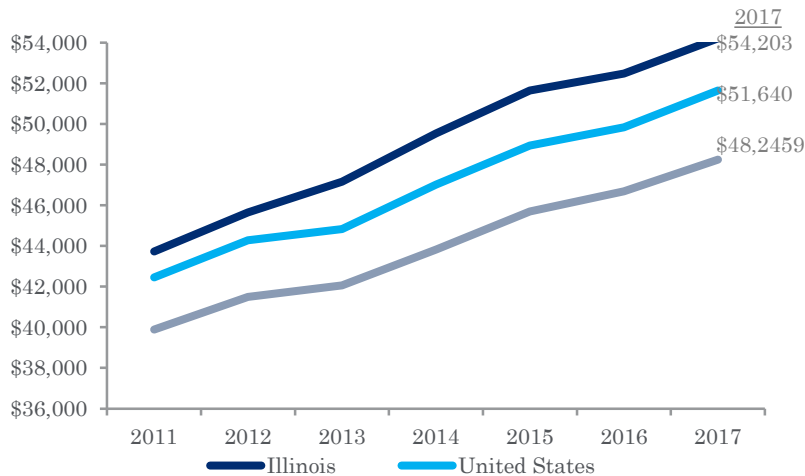
Highly Educated Population

- ✓ Illinois is home to top ranked universities bringing talented and educated individuals to the State
- ✓ 32.3% of Illinois residents have college degrees, well above the US at 29.8% and the Great Lakes States at 26.2%

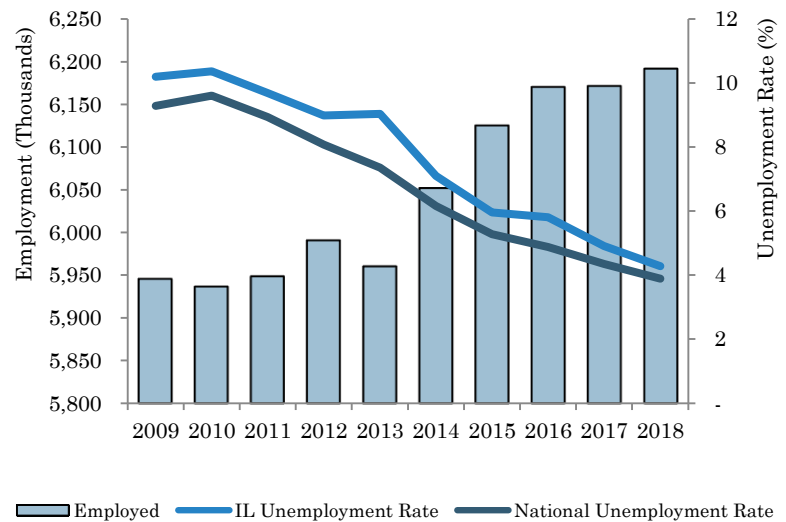


Illinois' Robust Economic Indicators

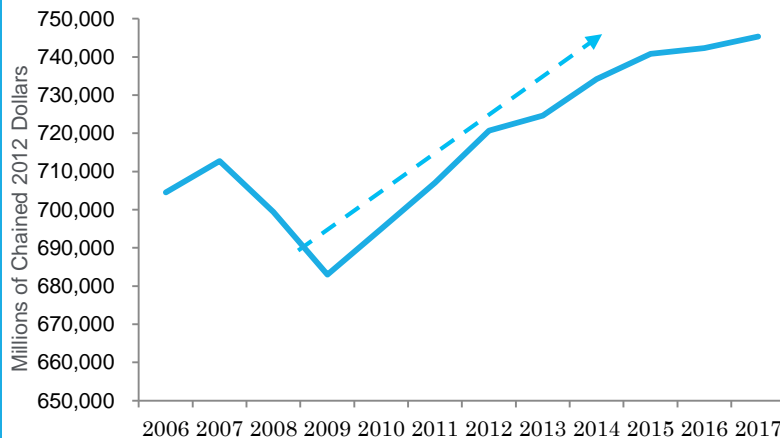
Per Capita Personal Income¹



Average Non-farm Employment and Unemployment^{1,2}



Illinois Real GDP³



✓ Per capita income is ranked first among the Great Lake Region and third among the 10 largest states

✓ Employment trends have improved over the past decade and remain strong

✓ Illinois' economy continues to grow, with State GDP ranking 1st in the Great Lakes Region, 5th in the nation and would rank as the 19th largest in the world

Source: Bureau of Economic Analysis; Bureau of Labor Statistics; U.S. Census Bureau
 Note: 1. YTD averages 2. As of 3/2019, not seasonally-adjusted 3. Bureau of Economic Analysis, 3/2019.



Budget



Fiscal Year 2020 Budget – Meeting the Challenges of Illinois' Third Century

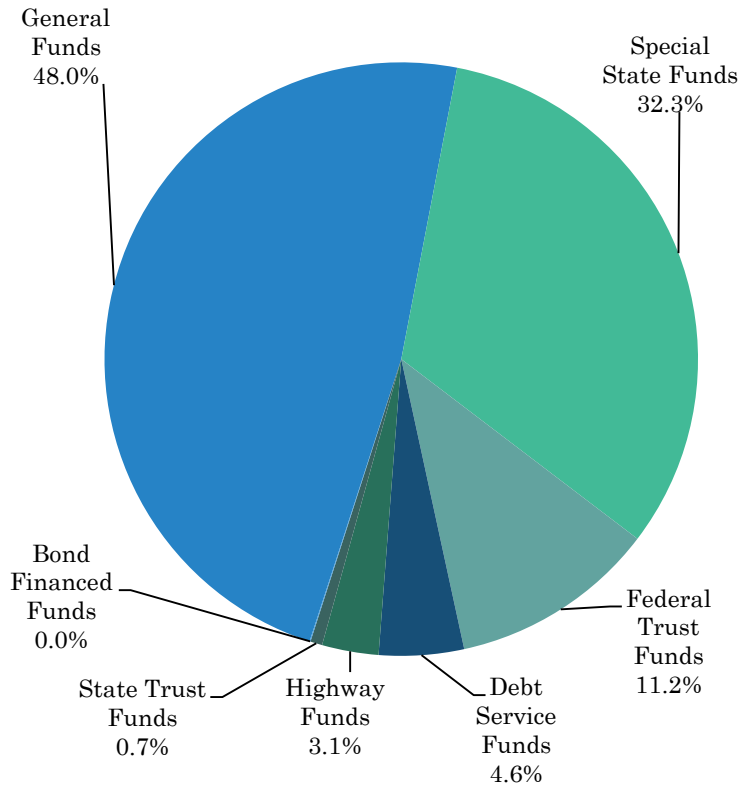
The proposed fiscal year 2020 budget lays out a path to restore Illinois to a place of fiscal and economic health.

- ✓ Restore Economic and Budgetary Stability
 - ✓ Implement a fair income tax system
 - ✓ Stabilize pension funding
 - ✓ Eliminate structural deficit
- ✓ Create a World Class Education System Accessible to All
 - ✓ Invest in our children from cradle to career
 - ✓ Invest in the higher education infrastructure
- ✓ Strengthen Illinois' Social Safety Network
 - ✓ Assist the state's most vulnerable
- ✓ Reform the Criminal Justice System and Invest in Public Safety
- ✓ Rebuild and Expand Illinois' Infrastructure
 - ✓ We need to do more than just fix what's broken
 - ✓ Invest in roads, facilities and broadband
- ✓ Make Illinois a World Leader/Competitive in a Global Economy

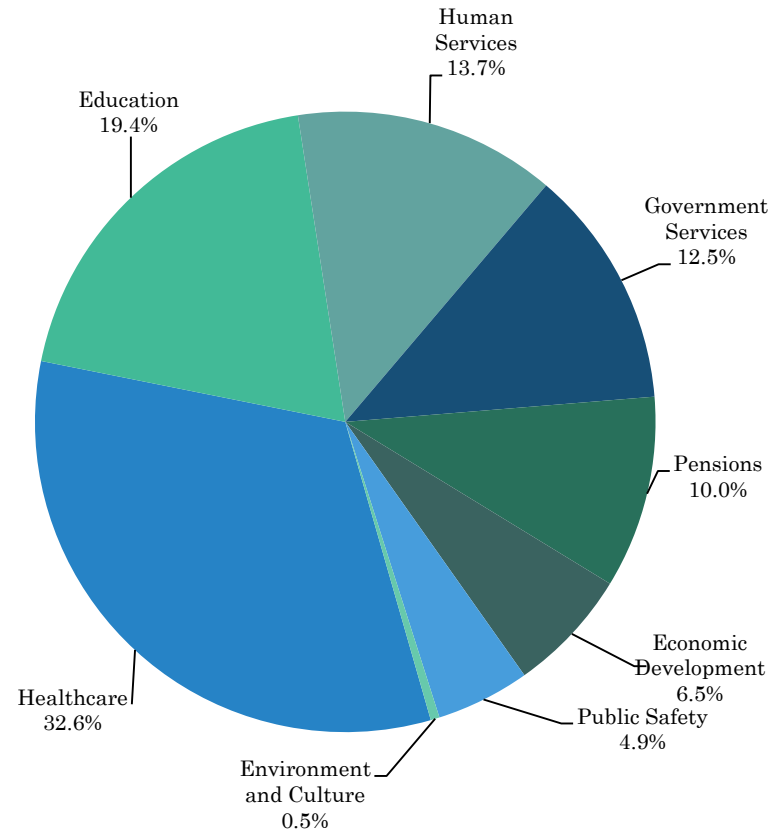


FY 2020 All Funds: \$77.0 Billion

By Fund Category

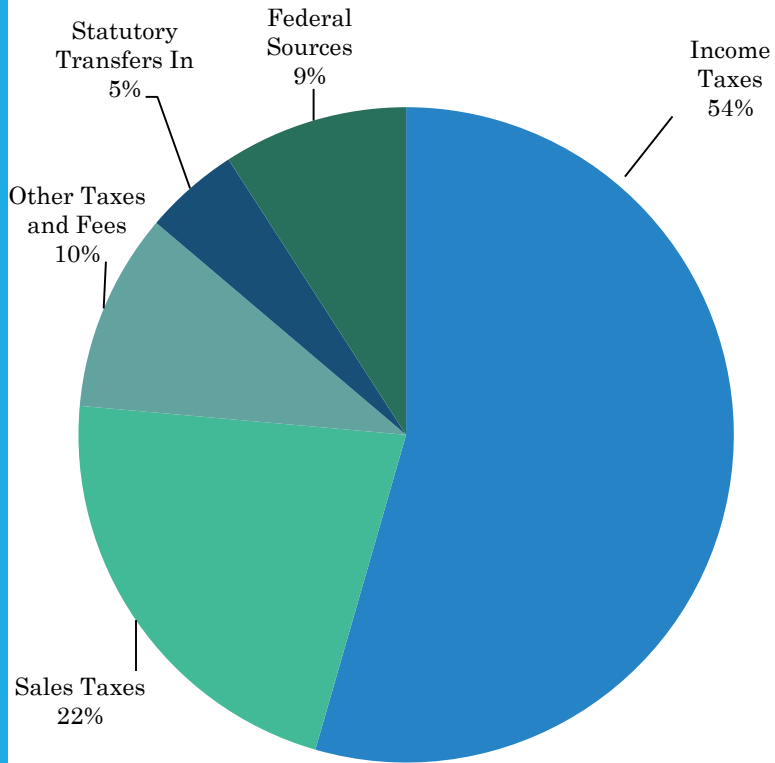


By Result Area

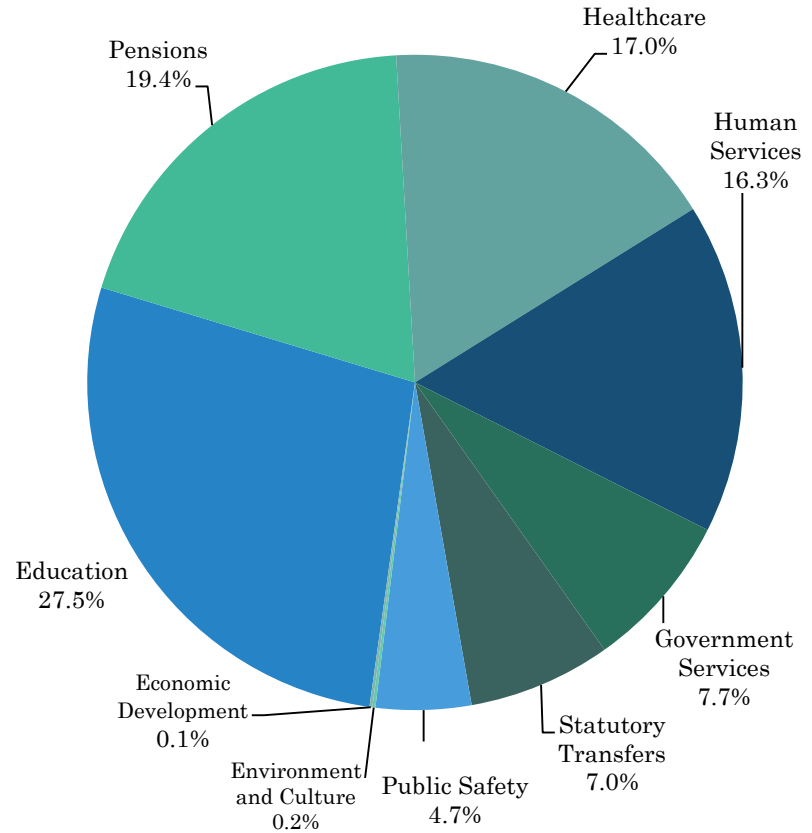


FY 2020 General Funds

Revenues: \$38.9 billion



Expenditures: \$38.75 billion



FY2019 - 2020 General Funds Revenues Summary

- ✓ General funds revenues are estimated to total \$38.9 billion, a \$1.493 billion, or 4.0%, increase from FY2019 revised base estimates.
- ✓ The FY2020 projection reflects the impact of the revenue changes outlined on slide 20.
 - ✓ New Medicaid program related revenues, plus a portion of the overall cigarette tax revenues, will be deposited directly into the Healthcare Provider Relief Fund, outside of the general funds.
- ✓ In addition, there is a proposed Delinquent Tax Payment Incentive Program estimated to accelerate \$175 million into FY2020.

Resources:

<i>\$ in millions</i>	Estimated FY 2019	Projected FY 2020	\$ increase	% increase
Net Individual Income Taxes	18,251	18,851	600	3.3%
Net Corporate Income Taxes	2,207	2,338	131	5.9%
Net Sales Taxes	8,229	8,537	308	3.7%
All Other Sources	3,448	3,807	359	10.4%
Total State Sources: Revenues	32,135	33,533	1,398	4.3%
State Sources: Transfers In				
Lottery	731	745	14	1.9%
Riverboat Gaming Taxes	263	258	(5)	-1.9%
Other Transfers	1,061	820	(241)	-22.7%
Total State Sources:	34,190	35,356	1,166	3.4%
Federal Sources	3,220	3,547	327	10.2%
Total, Base Revenues	37,410	38,903	1,493	4.0%
Interfund Borrowing	250	-	(250)	
Total Resources*	37,660	38,903	1,243	3.3%

**FY2019 resources here do not include the \$700 million from Treasurer's investment program, nor the estimated \$600 million deposit from a proposed backlog borrowing and the impact that borrowing might have on federal receipts. See the Budget Book for additional details on FY2019 revised budget estimates.*



FY2019 – 2020 General Funds Expenditures Summary

- ✓ The proposed FY2020 General Funds budget has estimated expenditures totaling \$38.748 billion.
- ✓ Proposed expenditure increases reflect Governor's priorities of education and human services spending.
- ✓ Proposed budget includes a shift of Medicaid spending to Healthcare Provider Relief Fund to align with new revenues deposited to the fund.
 - ✓ Allows HFS to better manage program cash flow.

Expenditures:

Budget Categories (\$ in millions)	FY19 Estimated	FY20 Proposed Budget	\$ Change from FY19 Estimated	%Change from FY19 Estimated
General Funds Appropriations:				
Education (ISBE/Higher Ed)	10,173	10,804	631	6.2%
Economic Development	62	56	(6)	-9.7%
Public Safety	1,735	1,855	120	6.9%
Human Services	5,906	6,448	542	9.2%
Healthcare (Medicaid)	7,930	7,228	(702)	-8.9%
Environment and Culture	59	59	-	0.0%
Government Services	3,390	3,417	27	0.8%
Pensions	7,478	7,124	(354)	-4.7%
Unspent Appropriations	(1,050)	(975)	75	
Operating Budget	35,684	36,016	333	0.9%
Interfund Borrowing Repayment	60	85	25	41.7%
Statutory Transfers/Debt Service	3,092	2,646	(446)	-14.4%
Supplemental Appropriations*	473	-	(473)	
Total Estimated Expenditures**	39,309	38,748	(561)	-1.4%

*Supplemental Appropriations include the potential range of estimated liability for retroactive step increases for AFSCME employees. FY19 Public Safety and Human Services expenditures would be significantly higher if the supplemental appropriations were allocated to those lines.

**FY2019 numbers exclude impact of repayment of the Treasurer's Investment Borrowing program. See the Budget Book for additional details on FY2019 revised budget estimates.



STATE OF ILLINOIS
GENERAL FUNDS FINANCIAL WALK DOWN
GOVERNOR'S OFFICE OF MANAGEMENT & BUDGET

(\$ millions)	Final FY 2018	Estimated FY 2019	Projected FY 2020
RESOURCES			
State Sources: Revenues			
Net Individual Income Taxes	17,725	18,251	18,851
Net Corporate Income Taxes	2,017	2,207	2,338
Net Sales Taxes	7,810	8,229	8,537
Public Utility Taxes	896	868	846
All Other Sources	2,555	2,581	2,961
Total State Sources: Revenues	31,003	32,135	33,533
State Sources: Transfers In			
Lottery	719	731	745
Riverboat Gaming	272	263	258
Other Transfers	917	1,061	820
Total State Sources	32,911	34,190	35,356
Federal Sources	4,032	3,220	3,547
SUBTOTAL, RESOURCES	36,943	37,410	38,903
Interfund Borrowing/Fund Reallocations	802	250	-
Treasurer's Investment Borrowing	-	700	-
TOTAL RESOURCES	37,745	38,360	38,903
EXPENDITURES			
1. Education	9,728	10,173	10,804
K-12 Education	7,995	8,385	8,883
Higher Education	1,733	1,789	1,920
2. Economic Development	82	62	56
3. Public Safety	2,218	1,735	1,855
4. Human Services	6,219	5,906	6,448
5. Healthcare	7,613	7,930	7,228
6. Environment and Culture	60	59	59
7. Government Services	3,244	3,390	3,417
Group Health Insurance	1,858	2,026	2,028
Government Services	1,386	1,364	1,389
8. Pensions¹	7,014	7,478	7,124
K-12 Education Pensions	4,107	4,467	4,238
State Universities' Pensions	1,414	1,440	1,427
State Employees' Pensions	1,493	1,571	1,460
9. Unspent Appropriations	(770)	(1,050)	(975)
Total Operating Budget	35,409	35,684	36,016
Statutory Transfers Out	582	434	364
Debt Service: Capital and Pension Bonds	2,372	1,851	1,208
Debt Service: Backlog Borrowing	527	801	982
Debt Service: Pension Acceleration Bonds	-	7	92
Interfund Borrowing Repayment	128	60	85
Treasurer's Investment Borrowing Repayment	-	713	-
Total Additional Expenditures	3,609	3,865	2,731
TOTAL EXPENDITURES	39,018	39,549	38,748
Comptroller Budgetary Basis Adjustment	(167)	-	-
General Funds Surplus/(Deficit)	(1,440)	(1,190)	155
Backlog Borrowing Proceeds ²	2,500	600	-
Federal Revenue Due to Medicaid Backlog Payments	1,206	166	-
Potential Liability from Retroactive AFSCME Step Increases ^{3,4}	-	(381)	-
Supplemental Appropriations Needed ⁵	-	(92)	-
Adjusted General Funds Surplus/(Deficit)	2,266	(897)	155
Revenue Adjustment if Proposed Revenue Enhancements are Not Enacted⁶	-	-	(1,121)
Appropriation Decrease: 4.0 Percent Cut Across All Agencies⁶	-	-	1,121
Adjusted General Funds Surplus/(Deficit)	2,266	(897)	155

¹ FY 2019 pension values represent the certified values for the fiscal year. Savings from enacted buyout programs for TRS and STRS will not be known until June.

² The Governor is proposing a \$1.5 billion backlog borrowing to address remaining interest occurring bills, of which \$600 million would be estimated to be deposited into the General Revenue Fund.

³ This State and AFSCME have been in litigation to determine the amount owed on retroactive step payments. The administration is moving employees to the proper step effective April 1, 2019. The current estimate listed would be the higher end of the potential range for retroactive payments, not including any potential interest owed. Supplemental appropriations would be needed to cover these costs.

⁴ Appropriations to cover AFSCME step increases in fiscal year 2020 are reflected in each of the agency lines.

⁵ See Table I-C for details on fiscal year 2019 supplements needed.

⁶ The Governor is proposing new revenue enhancements and adjustments totaling \$1,121 million. If these changes are not enacted, an equal amount of cuts must be applied. A 4.0 percent cut across agencies, excluding pensions, debt service, and group health insurance, would be required.

General Fund Summary FY2018 – FY2020 Projections

The proposed FY20 budget projects a budgetary surplus of \$155 million. Table from FY20 Budget Book.



Fiscal Stabilization



A Path Toward Fiscal Stability

Illinois' recent fiscal history is one of instability and uncertainty.

- ✓ The budget impasse in FY2016 and FY2017 damaged the State's reputation and relationship with entities dependent on state payments.
 - ✓ The backlog increased from \$5 billion at the beginning of the impasse to a peak of \$16.7 billion.
 - ✓ Late payment interest penalties from the impasse exceed \$1.25 billion.
- ✓ Illinois will continue to face structural deficits, including an estimated deficit of \$3.2 billion in FY2020.
 - ✓ Structural deficits cannot be addressed by spending cuts alone.
 - ✓ Revenue adjustments and a different approach to the payment of the state's pension contributions are necessary.

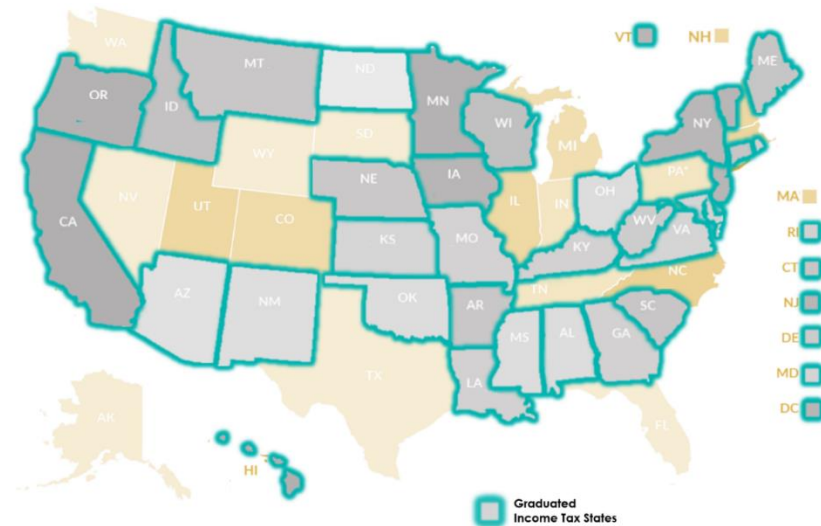


A Call for a Fair Income Tax System

Illinois' current tax structure is unfair and unsustainable.

- ✓ Illinois' fiscal health depends on the passage of a constitutional amendment to allow for a fair income tax system.
- ✓ Thirty-three states and the federal government have graduated income tax rates based on varying income levels.
- ✓ Only nine states tax income at a single rate.
- ✓ According to the Institute on Taxation and Economic Policy (ITEP), Illinois has the eighth most regressive tax system in the country.
- ✓ The lowest 20 percent of earners pay 6.8 percent of their income in sales and excise taxes while the top one percent of earners pays just 0.8 percent of their income in sales and excise taxes.¹

States with Graduated Income Tax Systems



¹ <https://itep.org/illinois/>

Basic Options for Addressing the State's Fiscal Challenges

Option 1: Across the Board Cuts

Illinois would cut its discretionary spending by 15 percent. Discretionary spending includes:

- ✓ K-12 education
- ✓ Universities and community colleges
- ✓ State Police
- ✓ Social service agencies

Option 2: Flat Tax Increase

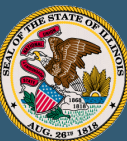
Illinois would raise the flat tax rate from 4.95 percent to 5.95 percent – meaning that every family in the state would pay higher taxes.

For example, a single mom making \$61,000 would pay an additional \$521 in taxes.

Option 3: Fair Income Tax

Illinois would change its system so the wealthy pay more, like in 33 other states. 97 percent of taxpayers would have a lower tax bill, while those making more than \$250,000 would pay more and generate \$3.4 billion in additional revenue.

The same single mom would pay \$271 less, a difference of \$792 compared to Option 2.



Fair Income Tax Elements

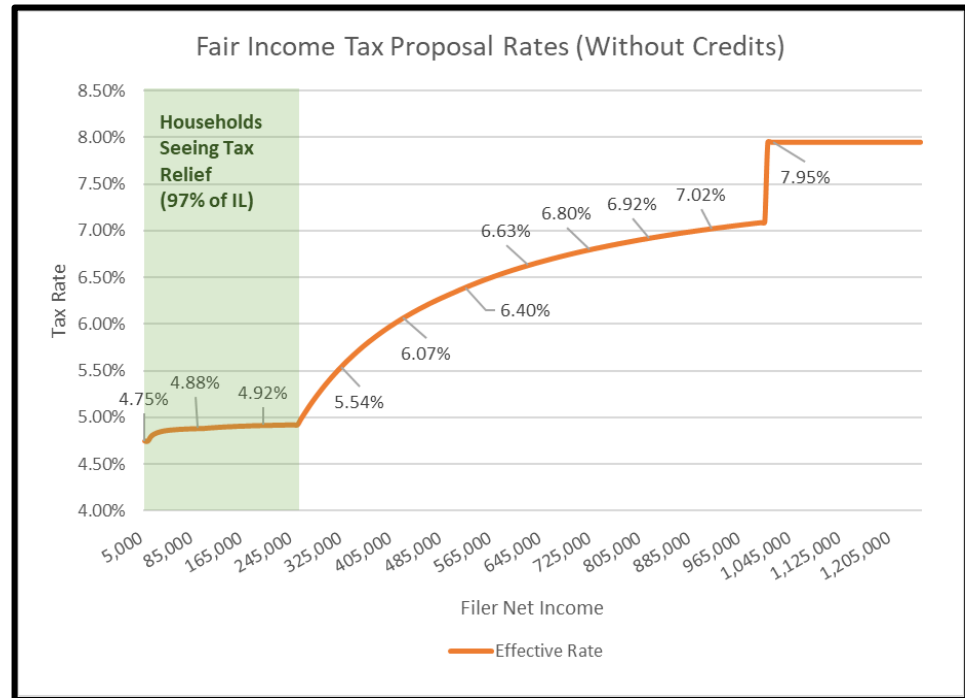
- ✓ Filers at or below \$250,000 – 97% of taxpayers – will have lower tax bill
- ✓ 20% increase in current property tax credit against state income taxes
 - ✓ Credit goes from 5% of property taxes paid to 6% of property taxes paid (estimated value \$100 million)
- ✓ \$100 per child Child Tax Credit for:
 - ✓ Single filers under \$80K (phase-out starting @ \$40K)
 - ✓ Joint filers under \$100K (phase-out starting @ \$60K)
- ✓ Top rate of 7.95% once income exceeds \$1.0 million
 - ✓ Once income reaches \$1.0 million, entire income is taxed at 7.95% rate
- ✓ Corporate income tax rate to match top individual income tax rate (7.95%)



Fair Income Tax Rates Proposal

Single & Joint Filers		
Marginal Rates	Net Income Level	% of IL Taxpayers
4.75%	\$0 - \$10,000	27.2%
4.90%	\$10,001 - \$100,000	58.9%
4.95%	\$100,001 - \$250,000	11.1%
7.75%	\$250,001 - \$500,000	1.9%
7.85%	\$500,001 - \$1,000,000	0.6%
7.95%	Over \$1,000,000	0.3%

In addition...	
97% of earners get tax relief	✓
20% Increase in Property Tax Credits	✓
\$100 Per Child Tax Credit	✓



Path to a Fair Income Tax System

Legislative Action

- Constitutional amendment must be approved by three-fifths of the members of both chambers.

General Election

- Once approved, the amendment would be put to the voters for the November 2020 election.

Voter Action

- Amendment becomes effective if approved by either 60% of those voting on the amendment or a majority of those voting in that election.

Statutory Changes

- Income tax rates would be passed in separate legislation with the implementation contingent on the passage of the constitutional amendment.

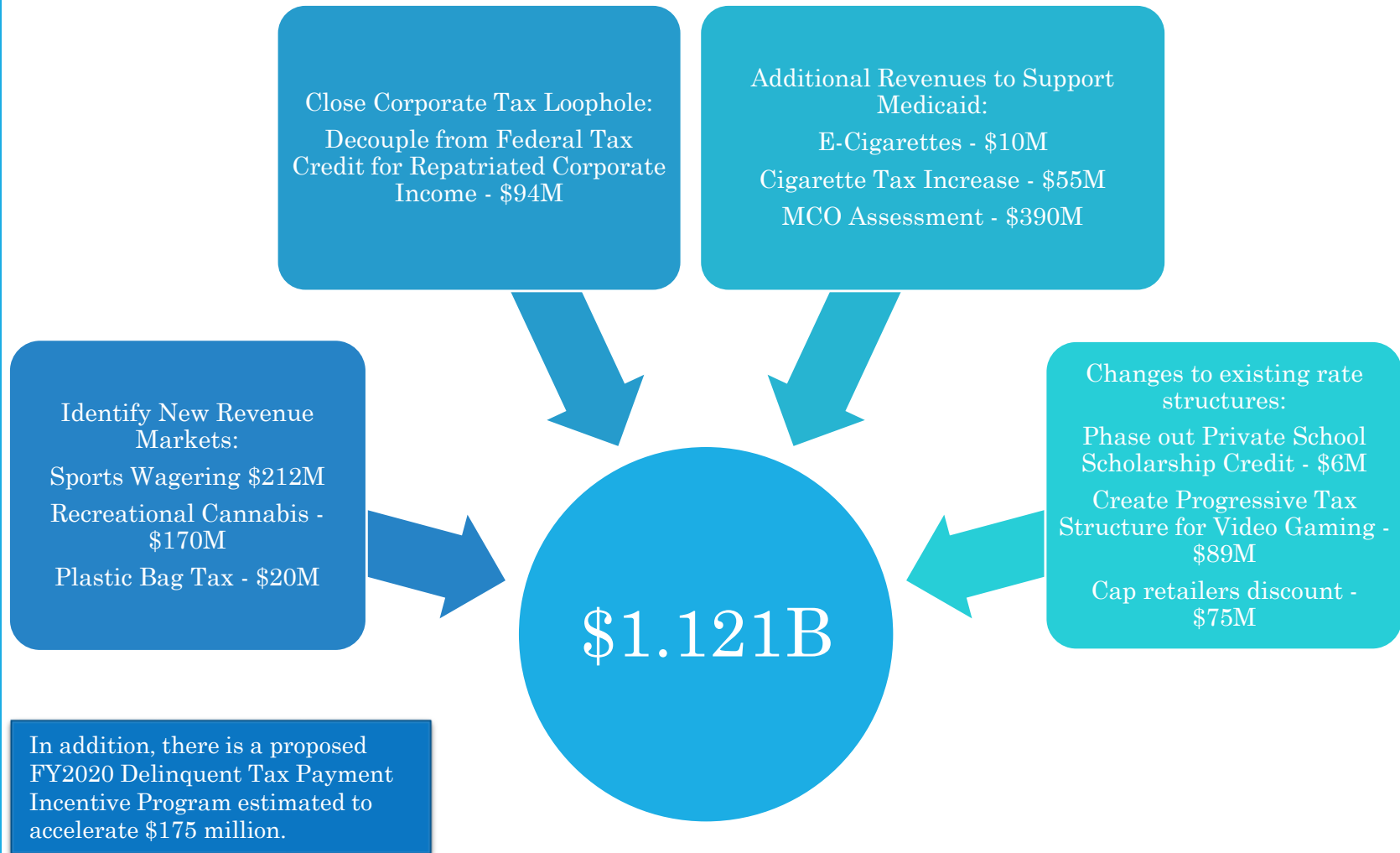
Revenue Collection

- If approved by voters, fair tax could be implemented as early as January 2021, providing a half year of additional revenue to the state in fiscal year 2021.



Proposed revenue changes will enable the state to fund essential services now...

✓ Facing the structural deficit and knowing that a fair tax cannot be implemented before FY2021, Governor Pritzker recognizes that additional revenues will be needed in FY2020.

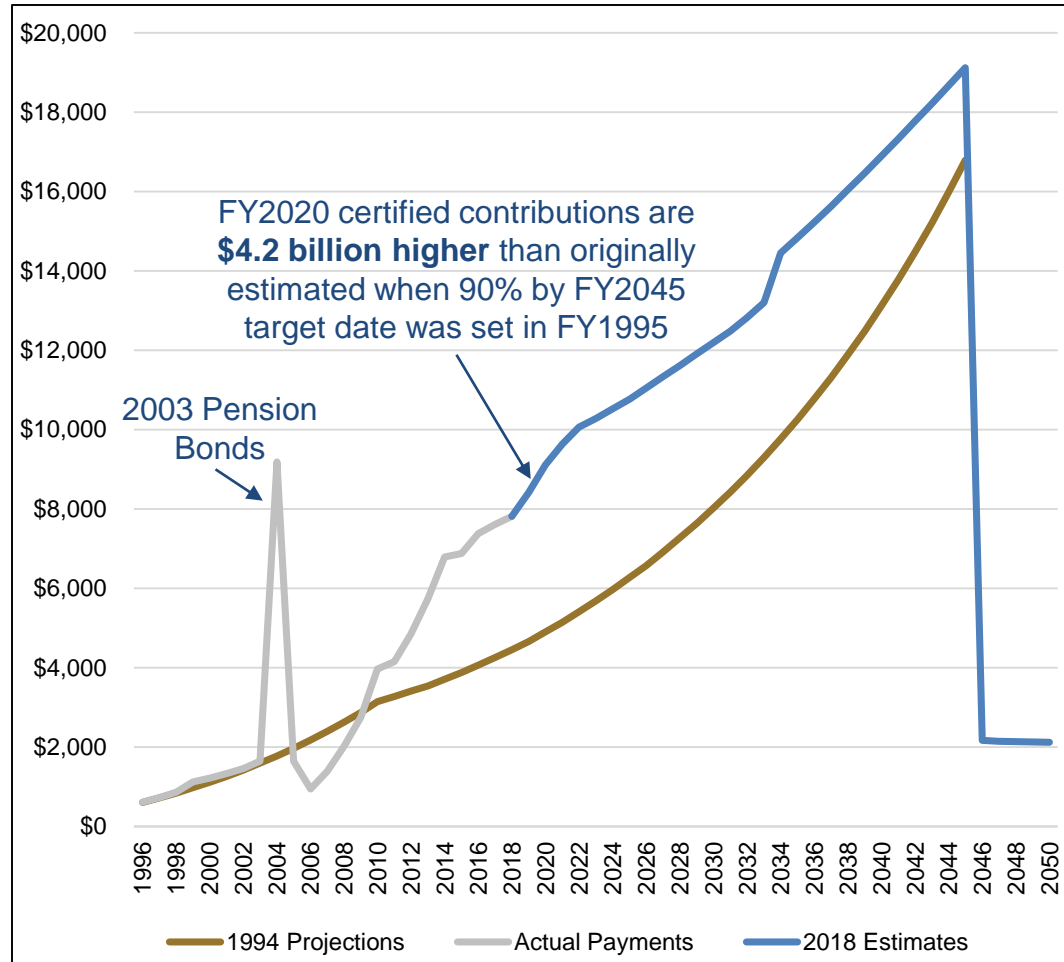


Pension Debt

The State's Biggest Financial Challenge

- ✓ Illinois' current pension payment schedule follows the plan set forth in 1994, 25 years ago.
- ✓ After the original ramp ended in FY2010, the schedule assumed gradual growth in pension payments.
- ✓ However, the impact of recessions on asset values and changes to the systems' actuarial assumptions led to a steeper ramp in payments - even with the addition of Tier 2.
- ✓ Appropriations for state pensions have grown on average by 9% (\$500 million) annually since FY2010.

Projected State Retirement Contributions
1994 est. vs 2018 est.
(\$ millions)

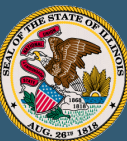


Sustaining the Pension Systems

A Five-Tiered Approach

The Governor's approach to pension stabilization, taken collectively with the expansion of the tax revenue base and the ongoing investment in priorities that will grow our economy, will put the state on a sustainable path that keeps its promises to retirees.

- 1) New dedicated revenue from the fair income tax on top of certified amounts
- 2) Extend the current pension buyout program
- 3) Infuse the systems with additional assets from the issuance of new pension funding bonds of \$2 billion
- 4) Establish two task forces: Pension Asset Value and Transfer Task Force and a Pension Consolidation Task Force
- 5) Restructure the pension debt to make payments more sustainable by modestly extending the target date to fiscal year 2052



Debt Overview



Security for Illinois General Obligation Bonds

<p>Security</p>	<ul style="list-style-type: none"> • The full faith and credit of the State is pledged for the punctual payment of principal and interest under the General Obligation Bond Act (the “Bond Act”) of the State <ul style="list-style-type: none"> – The State can draw from all State funds in the State Treasury that are not restricted by law to another use if needed to pay debt service on GO bonds
<p>Statutorily Mandated Debt Service Set Asides (GOBRI)</p>	<ul style="list-style-type: none"> • Under the Bond Act, monthly transfers are made from various State funds to the General Obligation Bond Retirement and Interest Fund (GOBRI), in amounts sufficient to pay the next interest and principal payments when due, which effectively results in the State transferring 1/12th of the next principal payment and 1/6th of the next interest payment every month <ul style="list-style-type: none"> – GOBRI is a separate fund in the Treasury that is dedicated to the payment of debt service on GO bonds and short-term debt
<p>Appropriation of Funds</p>	<ul style="list-style-type: none"> • The Bond Act requires the Governor to include an appropriation in each annual budget of monies in an amount necessary to pay all principal and interest due and further requires the General Assembly to make appropriations annually to pay debt service on outstanding GO Bonds from GOBRI • In the absence of appropriations, the Bond Act itself constitutes an irrevocable and continuing appropriation of all amounts necessary to pay principal and interest • Principal and interest on all outstanding GO Bonds must be paid even in the absence of a State budget
<p>Additional Protection under Illinois Constitution and State Laws</p>	<ul style="list-style-type: none"> • The Bond Act explicitly provides bondholders the remedy to sue the State to compel payment of GO bonds • The provisions of the Bond Act, pledging the full faith and credit of the State to GO bonds issued thereunder, are by their terms irrevocable to any outstanding GO bonds • The Illinois Constitution contains a “non-impairment” clause that prohibits action by the General Assembly that would, under contract law, impair the obligations of a contract between the State and its bondholders

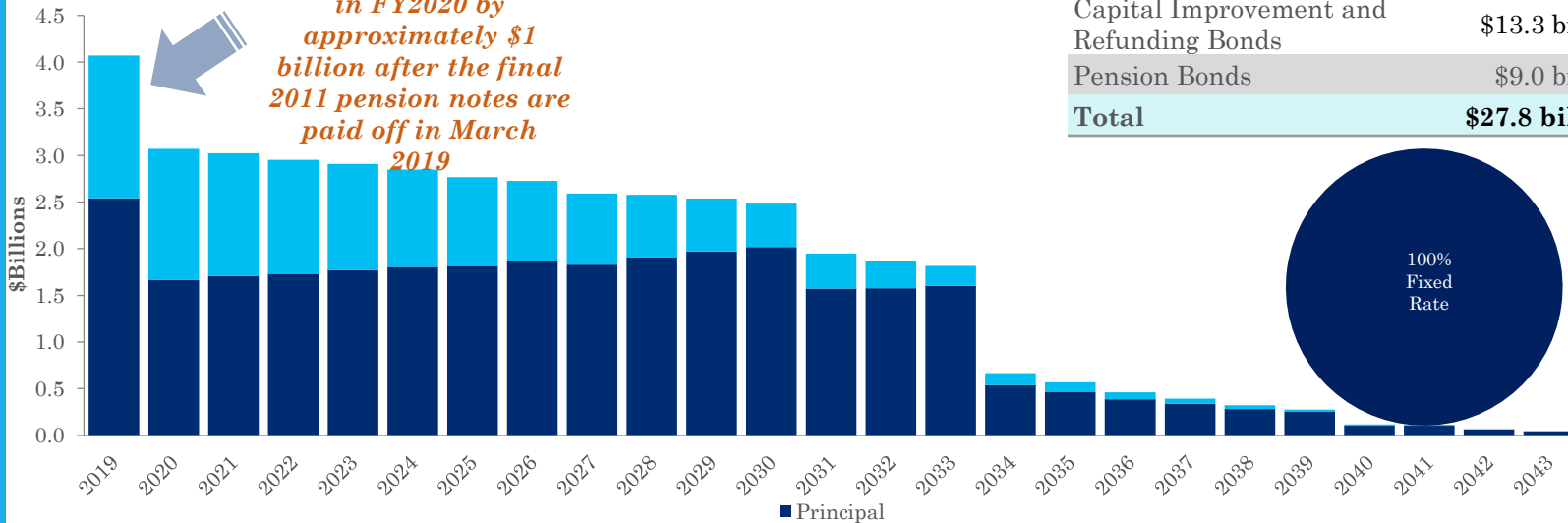


General Obligation Bond Overview

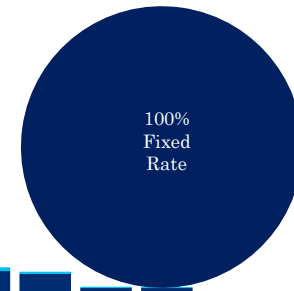
- General Obligation bonds are backed by the full faith and credit of the State.
- There is a continuing appropriation in place to ensure bond repayment without action by the General Assembly.
- GOBRI is a separate fund in the Treasury that is dedicated to the payment of debt service on GO bonds and short-term debt.
- Segregation of funds for debt service begins 12 months in advance for principal payments and 6 months in advance for interest payments.
- As of September 2018, all of the State's outstanding debt is fixed rate, with no variable rate debt or interest rate swap agreements.
- *Average life of all outstanding GO Bonds is approximately nine years.*

General Obligation Debt Service¹

Debt service declines in FY2020 by approximately \$1 billion after the final 2011 pension notes are paid off in March 2019



Current Par Outstanding	
Bill Backlog Bonds	\$5.5 billion
Capital Improvement and Refunding Bonds	\$13.3 billion
Pension Bonds	\$9.0 billion
Total	\$27.8 billion



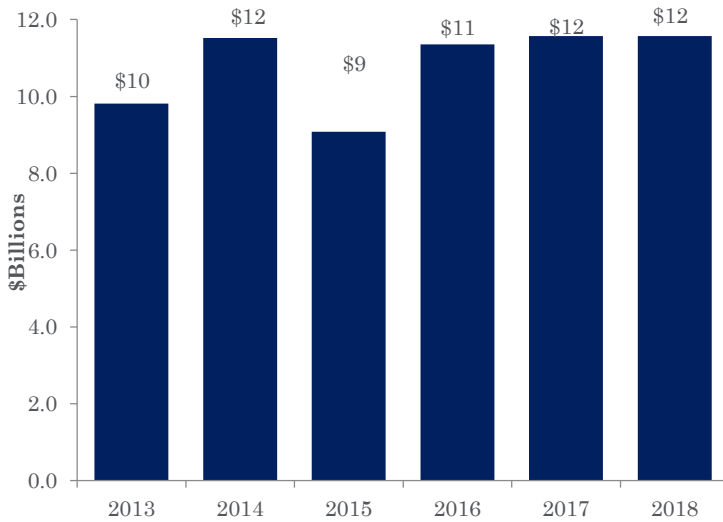
1. As of March 2019



Strength of the State's GO Pledge

- Monies are transferred monthly to the GOBRI Fund and, by law, are used for the payment of GO Bonds issued under the Bond Act and for the payment of Short-Term Debt.
- The Bond Act constitutes an irrevocable and continuing authority for and direction to the Treasurer and Comptroller to make the necessary transfers to the GOBRI Fund.
 - The State can draw from all State funds in the State Treasury that are not restricted by law to another use if needed to pay debt service on GO bonds.
- The Governor's Proposed FY2020 Budget estimates \$2.3 billion in transfers from the General Funds to GOBRI in FY2020, with the Balance expected from other State funds.
 - In FY2020, the State transfers will average approximately \$190 million a month from General Funds to GOBRI after the issuance of the Series A Pension Acceleration Bonds.³
- As of March 1, 2019, \$1.0 billion was available in GOBRI.

Fiscal Year End All Fund Cash Balances¹



Transfers to the GOBRI Fund (\$Millions)²

	2016	2017	2018	2019 Est.	2020 Proj.
General Revenue Fund					
Capital Bonds	\$557	\$626	\$797	\$608	\$500
Pension Bonds	1,423	1,609	1,576	1,243	708
Section 7.6 Bonds			527	801	982
Pension Acceleration				7	92
GRF subtotal	\$1,979	\$2,235	\$2,899	\$2,659	\$2,282
Road Fund	334	305	349	339	338
School Infrastructure Fund	212	115	172	157	154
Capital Projects Fund	533	477	285	481	633
TOTAL	\$3,057	\$3,133	3,706	\$3,637	\$3,407

1. Does not include Federal Trust Funds. Includes GOBRI. June 30, 2016 balance show an increase from FY 2015 due in part to the late enactment of FY 2016 appropriations for many State funds.
2. Does not include debt service transfers on short-term debt as may have been from time to time outstanding
3. This figure does not take into account the impact of the refunding



Plan of Finance



Taxable Series of April 2019A - Pension Acceleration Bonds

Financing Overview	
Use of Proceeds	The Bonds are being issued to fund the Pension Buyout Program and the AAI Reduction Program (see next slide).
Security	The Bonds are direct, general obligations of the State and, pursuant to Section 9(a) of Article IX of the Illinois Constitution and the General Obligation Bond Act of the State of Illinois, as amended (the "Bond Act"), the full faith and credit of the State is pledged for the punctual payment of interest on all bonds issued under the Bond Act, including the Bonds, as it comes due and for the punctual payment of the principal of all bonds issued under the Bond Act, including the Bonds, at maturity, or on any earlier redemption date, and redemption premium, if any. These provisions are irrevocable until all bonds issued under the Bond Act, including the Bonds, are paid in full as to both principal and interest.
Interest Payment Dates	April 1 and October 1, commencing October 1, 2019
Mode	Fixed Rate Bonds

Amortization	
April 1	Series B
2020	12,000,000
2021	12,000,000
2022	12,000,000
2023	12,000,000
2024	12,000,000
2025	12,000,000
2026	12,000,000
2027	12,000,000
2028	12,000,000
2029	12,000,000
2030	12,000,000
2031	12,000,000
2032	12,000,000
2033	12,000,000
2034	12,000,000
2035	12,000,000
2036	12,000,000
2037	12,000,000
2038	12,000,000
2039	12,000,000
2040	12,000,000
2041	12,000,000
2042	12,000,000
2043	12,000,000
2044	12,000,000
Total	\$300,000,000

*Preliminary, subject to change.



Tax-Exempt Series of April 2019B Refunding

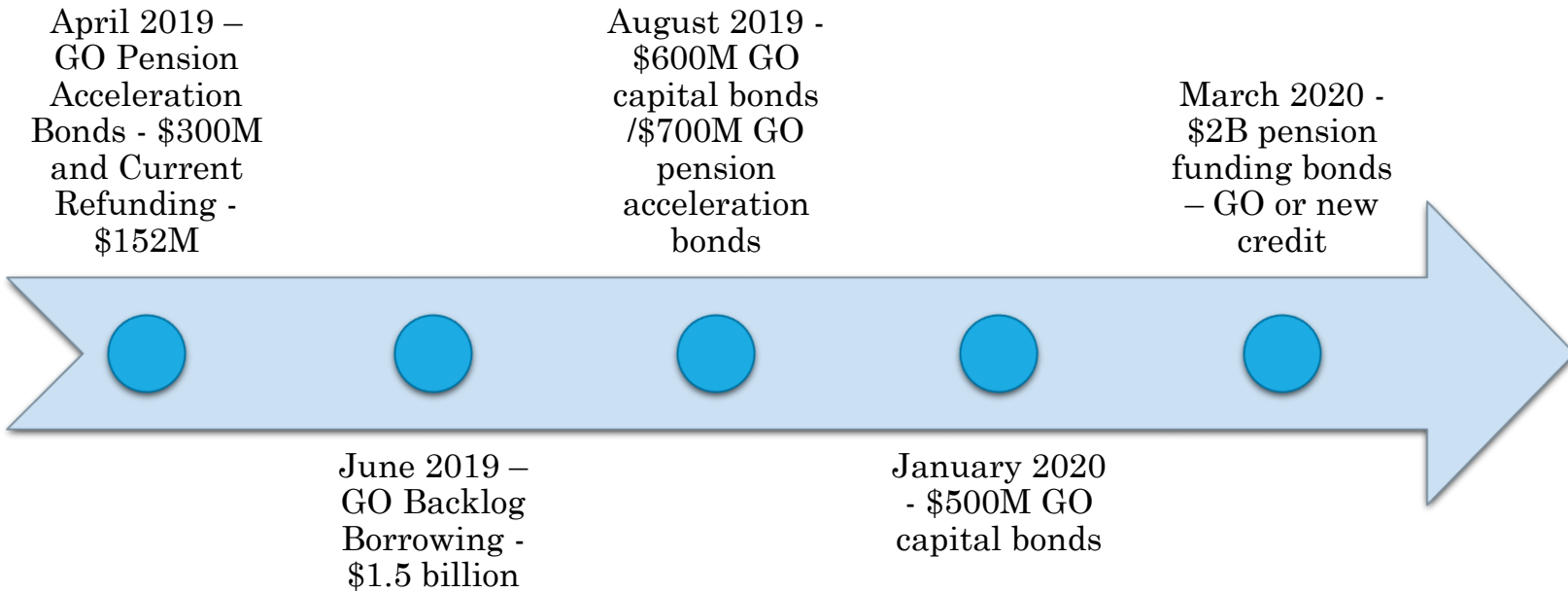
Financing Overview	
Use of Proceeds	The Bonds are being issued to refund for economic savings certain outstanding general obligation bonds.
Security	The Bonds are direct, general obligations of the State and, pursuant to Section 9(a) of Article IX of the Illinois Constitution and the General Obligation Bond Act of the State of Illinois, as amended (the "Bond Act"), the full faith and credit of the State is pledged for the punctual payment of interest on all bonds issued under the Bond Act, including the Bonds, as it comes due and for the punctual payment of the principal of all bonds issued under the Bond Act, including the Bonds, at maturity, or on any earlier redemption date, and redemption premium, if any. These provisions are irrevocable until all bonds issued under the Bond Act, including the Bonds, are paid in full as to both principal and interest.
Interest Payment Dates	March 1 and September 1, commencing September 1, 2019
Mode	Fixed Rate Bonds

Amortization*	
September 1	Series A
2020	5,500,000
2021	16,610,000
2022	16,635,000
2023	16,660,000
2024	16,045,000
2025	23,830,000
2026	6,545,000
2027	42,995,000
2028	5,570,000
Total	\$151,990,000

*Preliminary, subject to change.



Tentative FY 2019 – FY 2020 Bond Sale Issuance Schedule



GO stands for General Obligation.

Note: Outlined is the projected bond sale issuance schedule; project related bond sales reflect current capital project needs. The state will seek legislative authority to issue the March 2020 bonds as individual income tax (IIT) revenue bonds to achieve more favorable pricing and demand from investors. Please note all par amounts are preliminary and subject to change.

