

State of Illinois
**General Obligation Bonds
Rating Agency Information**

September 29, 2020



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Recent Legislative Accomplishments Bolster the State's Inherent Credit Strengths

Governor's Accomplishments

- ✓ A State budget passed on time two years in a row
- ✓ Resolute actions to limit the pandemic's impact on public health and the economy
- ✓ Investment in the State through Rebuild Illinois - a bipartisan historic capital plan
- ✓ Legalization of adult-use cannabis with strong social equity provisions
- ✓ Consolidation of suburban and downstate police and firefighter pension fund investment
- ✓ Initiatives to provide equal pay for women and minorities, to expand apprenticeships and to set strong diversity goals in public works projects

Inherent Illinois Credit Strengths

- ✓ Sovereign State with significant revenue flexibility
- ✓ Illinois' economy is the 5th largest in the United States and 18th largest worldwide¹
- ✓ Statutory provisions give priority to debt service over other State expenditures
- ✓ GO Bond debt service has an irrevocable and continuing appropriation, insulating it from political debates
- ✓ GO Bond debt service is limited by statute, unless waived by the Treasurer and the Comptroller

The Governor and the General Assembly Have Worked Together in a Bipartisan Manner to Return Sensible Governance to Illinois

1. As of 2019



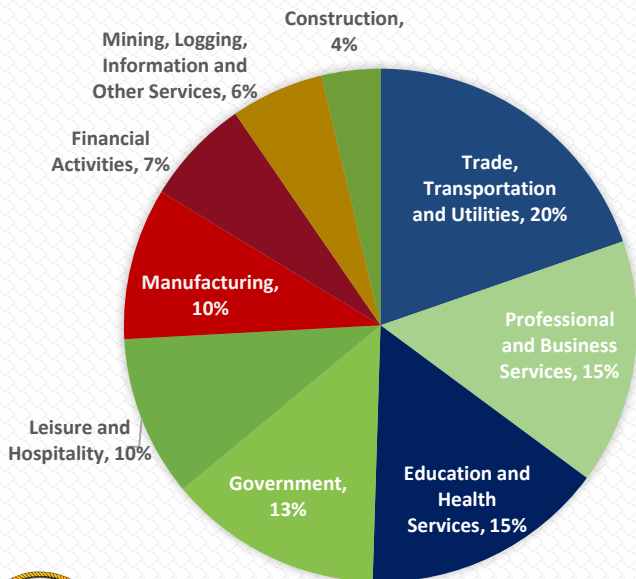
1. Illinois' Strong and Diverse Economy



Illinois' Strong Economic Foundation

Strong and Diverse Economy

- Broad employment base with no industry accounting for more than 20%¹
- 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 3rd and 28th busiest U.S. airports in O'Hare and Midway²
- O'Hare is the Best Connected Airport in the US and third worldwide³
- Illinois is the only state where all 7 class I railroads in the United States operate⁴
- Illinois ranks third behind California and Texas by highway mileage⁵



Highly Educated Population

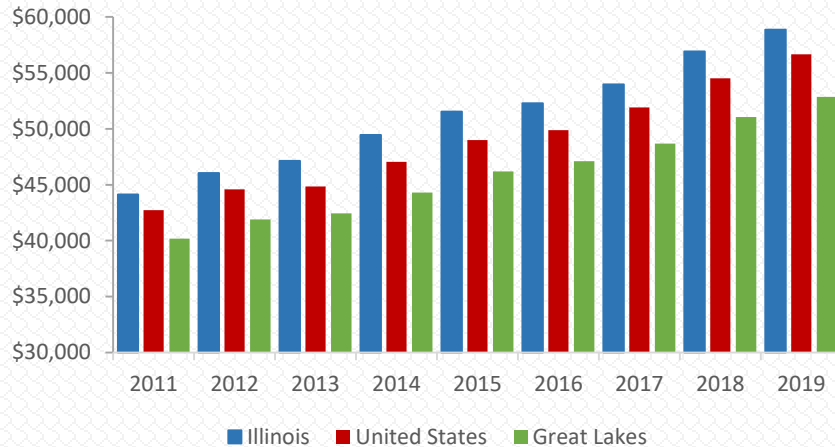
- Illinois is home to top ranked universities bringing talented and educated individuals to the State
- 35.8% of Illinois residents have college degrees, above the US at 33.1% and the Midwest region at 31.6%⁶



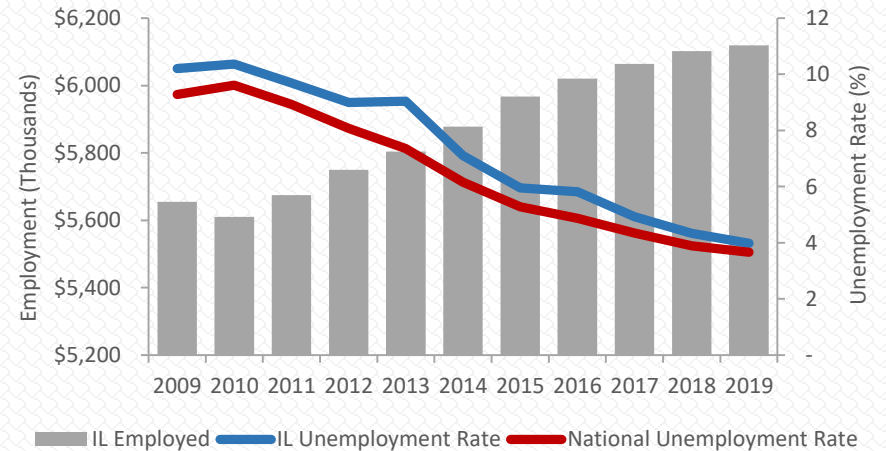
1. Bureau of Labor Statistics, preliminary, as of August 2020 2. FAA, Commercial Service (Rank Order) based on Calendar Year 2019 preliminary data as of July 1, 2020 3. OAG, Megahubs Index 2019
 4. IDOT, <http://idot.illinois.gov/transportation-system/Network-Overview/rail-system/index> 5. Federal Highway Administration, Highway Statistics 2018, data as of November 2019 6. 2019 American Community Survey 1 year estimates, those with a bachelor's degree or higher as a share of population 25 years or older

Illinois' Robust Economic Indicators

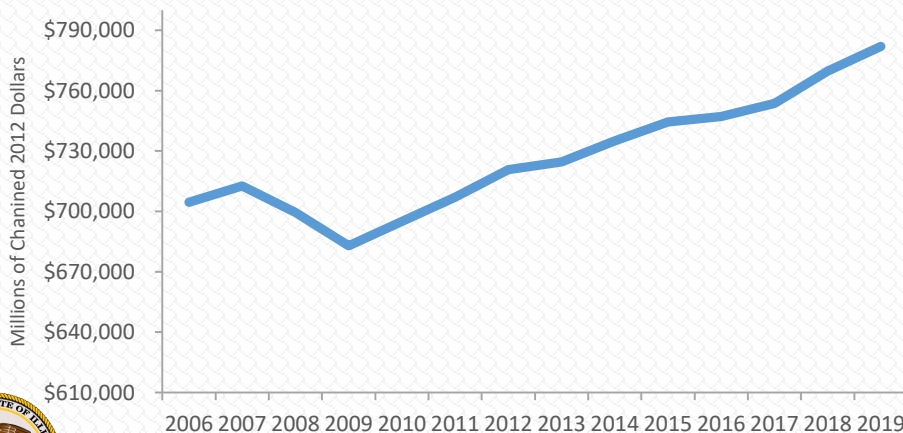
Per Capita Personal Income¹



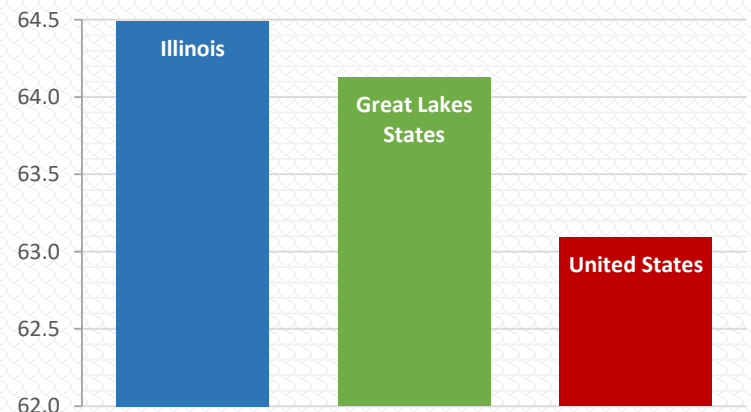
Average Non-farm Employment and Unemployment²



Illinois Real Gross Domestic Product³



Labor Force Participation Rate, 2019⁴



1: Bureau of Economic Analysis as of June 23, 2020 2. Bureau of Labor Statistics, seasonally adjusted, 2019 numbers 3. Bureau of Economic Analysis, as of July 7, 2020
 4. U.S. Department of Labor, seasonally adjusted, Great Lakes States include Illinois, Indiana, Michigan, Ohio and Wisconsin

2. FY 2020 Update and Enacted FY 2021 Budget



Updated FY 2020 Results

- ✓ Individual income taxes to be four percent lower than FY2019
- ✓ Depending on final lapse period spending, expect to see a small budgetary surplus for FY20



FY2020 and FY2021 General Funds Revenues Summary

- ✓ The \$43 billion fiscal year 2021 General Funds budget provides stability during the current economic situation.
- ✓ The budget agreement included additional tools to adapt to COVID situation through authorizing legislation to allow for up to \$5 billion in borrowing from the Federal Reserve's Municipal Liquidity Facility.
- ✓ Base General Funds revenues are estimated to total \$36.8 billion, a \$1.3 billion, or 3.4%, decrease from FY2020 revised base estimates.
- ✓ An additional \$1.3 billion is forecast to be deposited into the General Funds if income tax rates under PA 101-0008 go into effect on January 1, 2021.



FY2020 and FY2021 General Funds Expenditures Summary

- ✓ The FY2021 General Funds budget has estimated expenditures totaling \$43.1 billion.
- ✓ Estimated FY2021 budgetary surplus of \$126 million.



Potential Public Act 101-0008 Rate Changes

- ✓ In spring 2019, the General Assembly adopted SJRCA 0001 which would remove Illinois' constitutional requirement for a flat income tax rate.
- ✓ This constitutional amendment will be voted on in the November 2020 general election.
- ✓ Concurrently with SJRCA 0001, Public Act 101-0008 was enacted, which specifies new tax rates that take effect on January 1, 2021 if the constitutional amendment is adopted.
- ✓ Public Act 101-0008 creates six separate marginal tax rates.
- ✓ Taxpayers who file as “single” reach the top tax rate of 7.99 percent when their net income exceeds \$750K; taxpayers who file as “married, filing jointly” reach the top rate when their net income exceeds \$1.0 million.
- ✓ The corporate income tax rate, a flat rate, matches the top individual income tax rate of 7.99 percent.

Public Act 101-0008 Income Tax Rates		
<u>Marginal Rates</u>	<u>Net Income Level, Single Filers</u>	<u>Net Income Level, Joint Filers</u>
4.75%	\$0 - \$10,000	\$0 - \$10,000
4.90%	\$10,001 - \$100,000	\$10,001 - \$100,000
4.95%	\$100,001 - \$250,000	\$100,001 - \$250,000
7.75%	\$250,001 - \$350,000	\$250,001 - \$500,000
7.85%	\$350,001 - \$750,000	\$500,001 - \$1,000,000
7.99%	Over \$750,000	Over \$1,000,000

At the top rate, the 7.99% rate applies to all net income.



3. Pension Updates



Update on Accelerated Pension Benefit Programs

- Accelerated Pension Benefit Programs (P.A. 100-587)
 - **The Pension Buyout Program:** Eligible members of SERS, TRS and SURS who have terminated service may forfeit all 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 AAI Reduction Program:** At the time of retirement, eligible Tier 1 members of SERS, TRS and SURS may forfeit the 3%, compounded automatic annual increase (“AAI”) in exchange for (i) a 1.5% non-compounded AAI and (ii) an accelerated pension benefit payment from the State equal to 70% of the difference in the present value of such AAIs
- Public Act 101-0010 (enacted June 5, 2019) extended the end date of the programs from June 30, 2021 to June 30, 2024
- Updates:
 - As of September 18, 2020, the balance in the Pension Obligation Acceleration Bond Fund was approximately \$64 million, meaning approximately \$156 million of the May 2020 proceeds have been spent out of the fund
 - As of September 22, 2020, SERS’ AAI Reduction Program participation was 26.4% and its Pension Buyout Program participation was 1%



4. Debt Overview



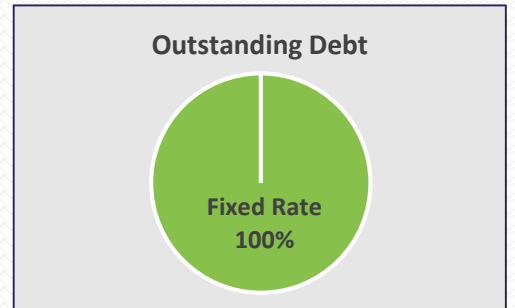
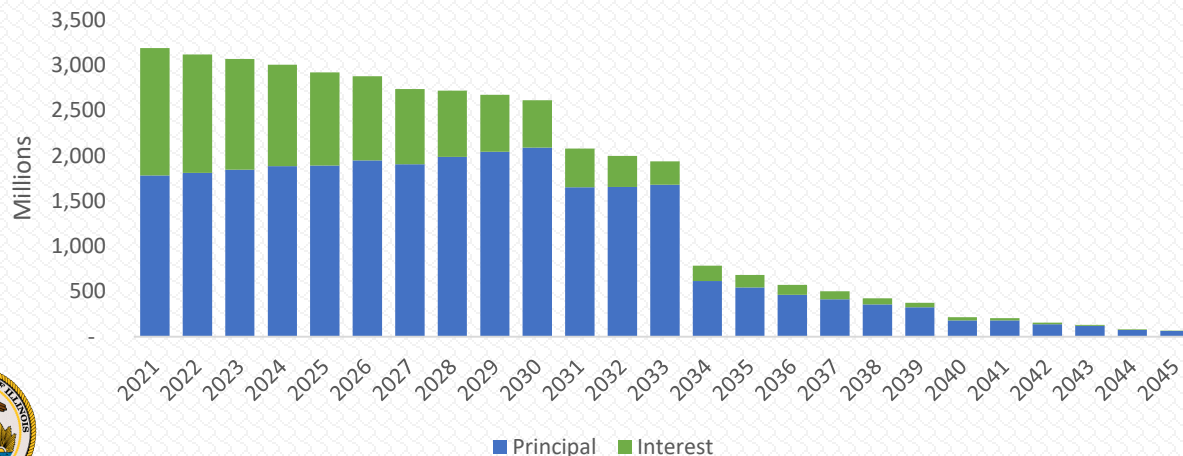
General Obligation Bond Overview

- 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 March 1, 2020, 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 7.6 years

Par Outstanding as of September 1, 2020

Bill Backlog Bonds	\$5.0 Billion
Capital Improvement and Refunding Bonds	\$13.2 Billion
Pension Funding Bonds	\$8.6 Billion
Pension Acceleration Bonds	\$0.5 Billion
Total	\$27.3 Billion

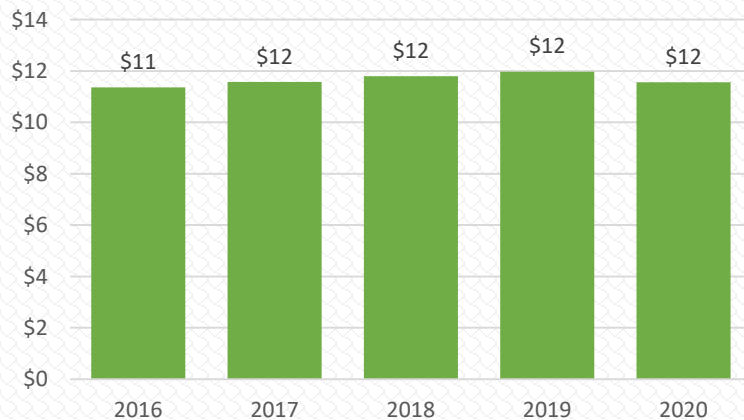
General Obligation Fiscal Year Debt Service



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
- As of September 1, 2020, \$1.3 billion was available in GOBRI

Fiscal Year End All Fund
Cash Balances (\$ Billions)¹



Transfers to GOBRI for Payment of Debt Service²

	(\$ in millions)				
	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual
General Revenue Fund					
Capital Bonds	\$557	\$626	\$797	\$670	\$436
Pension Bonds	1,423	1,609	1,576	1,242	646
Section 7.6 Bonds	-	-	527	782	757
Pension Acceleration	-	-	-	7	31
GRF subtotal	1,979	2,235	2,899	2,701	1,870
Road Fund	334	305	349	339	379
School Infrastructure Fund	212	115	172	107	145
Capital Projects Fund	533	477	285	431	638
Total³	\$3,057	\$3,133	\$3,706	\$3,579	\$3,031

1. Does not include Federal Trust Funds. Includes GOBRI.
2. Does not include debt service transfers on short-term debt as may have been from time to time outstanding
3. Totals may not add due to rounding.

