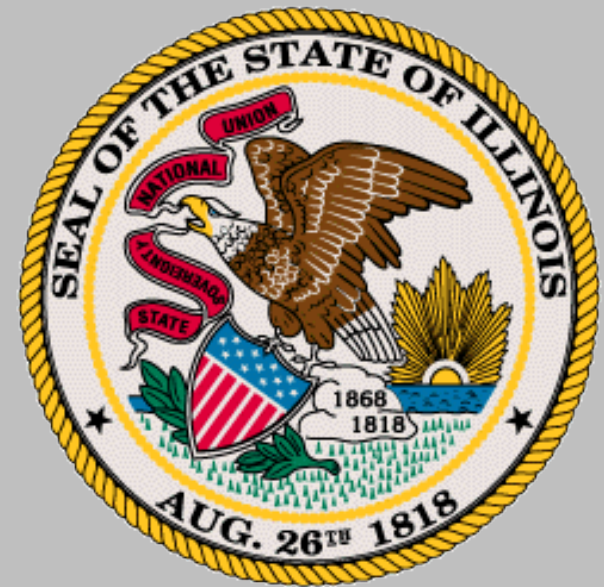


# State of Illinois

## Investor Update

September 19, 2019



# Recent Legislative Accomplishments Bolster the State's Inherent Credit Strengths

## Accomplishments of Spring 2019 Legislative Session

- ✓ Passage of a bipartisan balanced FY 2020 budget
- ✓ Passage of the Fair Income Tax Amendment that will be voted on by Illinoisans in November 2020, along with P.A. 101-008, establishing the rates contingent upon passage of the amendment
- ✓ Passage of the bipartisan \$45 billion Rebuild Illinois capital plan, the largest infrastructure investment in Illinois history
- ✓ Passage of a minimum wage increase
- ✓ Legalization of adult-use cannabis
- ✓ Passage of gaming expansion and legalization of sports betting

## Inherent Illinois Credit Strengths

- ✓ Sovereign State with significant revenue flexibility
- ✓ Illinois' economy is the 5th largest in the United States and 18th largest worldwide
- ✓ 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 Worked Together in a Bipartisan Manner to Return Sensible Governance to Illinois*



# Fiscal Year 2020 Operating Budget – A Balanced, Bipartisan Budget that Marks a New Era of Fiscal Stability

The enacted \$40.1 billion fiscal year 2020 budget begins to pay down Illinois' debt and return the State to fiscal stability.

## Balanced

- ✓ The budget agreement estimated a \$150 million surplus that will be used to pay down a portion of the State's bill backlog

## Makes key investments

- ✓ Increases K-12 Evidence-Based Funding by \$378.6 million
- ✓ Increases Early Childhood Education funding by \$50 million to a record high level
- ✓ Expands child care assistance to an additional 10,000 children
- ✓ Full appropriation for the state retirement systems as required by Illinois law

## Revenue Changes

- ✓ \$500 million from MCO assessment
- ✓ \$175 million from a tax amnesty program
- ✓ \$94 million from decoupling from the federal deduction for repatriated income
- ✓ \$15 million for an e-cigarette tax imposed at a rate of 14.5%
- ✓ Authorizes \$1.2 billion in backlog borrowing to achieve interest savings
- ✓ Phase-out of corporate franchise tax
- ✓ Authorized legislation to improve online sales tax collections at online marketplaces

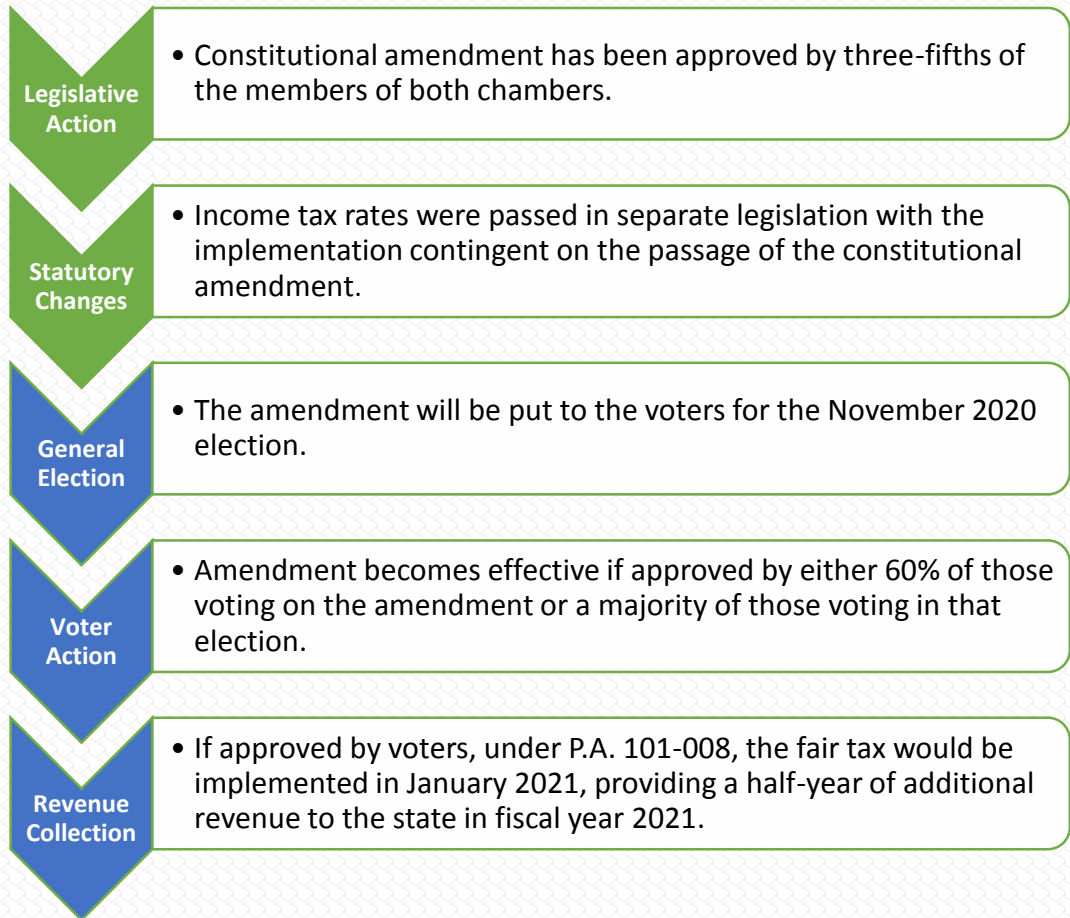


# The Fair Income Tax Proposal Provides Tax Relief for 97% of Illinois Households While Helping to Address the State's Fiscal Challenges

Public Act 101-008 Fair Income Tax		
Marginal Rates <sup>1</sup>	Net Income Level, Single Filers	Net Income Level, Joint Filers
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

In addition ...

- ✓ \$3.6 billion in additional revenue
- ✓ 97% of earners get tax relief
- ✓ 20% Increase in Property Tax Credits
- ✓ \$100 per Child Tax Credit<sup>2</sup>



<sup>1</sup>Once income reaches the top threshold, entire income is taxed at 7.99% rate

<sup>2</sup>Income thresholds for property tax credits remain unchanged from current law; for Child Tax Credit, single filers eligible up to \$80,000 in net income and married/joint filers eligible up to \$100,000 in net income, with credit phase-out starting at \$40,000 and \$60,000, respectively



# Overview of Estimated FY 2019 Fiscal Results

- FY 2019 individual income tax revenues were 8.5% higher than the prior year's, and strong income and sales tax revenue performance helped to essentially close the budget deficit while the State was able to address supplemental spending pressures, including back step payments to AFSCME.
- Total State revenue sources in FY 2019 were 8.2% higher compared to FY 2018
- Transfers for GO debt service payments fell in FY 2019 by 8.31%, reflecting the retirement of the 2011 pension bonds in March 2019
- Final FY19 results will be available after the close of the State's lapse period.

FY 2018 and Preliminary FY 2019 Fiscal Results			
(\$ billions) – Totals may not add due to rounding	Actual FY 2018	Actual FY 2019	% Change
<b>State Sources: Revenues</b>			
Net Individual Income Taxes	17.7	19.2	8.5%
Net Corporate Income Taxes	2.0	2.4	18.4%
Net Sales Taxes	7.8	8.4	7.7%
<b>Total Income and Sales Taxes</b>	<b>27.6</b>	<b>30.0</b>	<b>9.0%</b>
Other State Revenues	3.5	3.5	2.2%
Transfers In	1.9	2.0	6.7%
<b>Total State Sources</b>	<b>32.9</b>	<b>35.6</b>	<b>8.2%</b>
Federal Sources	4.0	3.6	-10.7%
<b>TOTAL, BASE, RESOURCES</b>	<b>\$ 36.94</b>	<b>\$ 39.20</b>	<b>6.1%</b>
Interfund Borrowing and Fund Reallocations	0.8	0.3	
Treasurer's Investment Borrowing	0.0	0.8	
<b>TOTAL RESOURCES</b>	<b>\$ 37.75</b>	<b>\$ 40.20</b>	<b>6.5%</b>
<b>General Funds Expenditures</b>			
	Actual FY 2018	Estimated FY 2019	% Change
Operating Budget (from Appropriations)	35.4	36.3	2.4%
GO Bond Debt Service Transfers	2.9	2.7	-8.3%
Interfund Borrowing Repayment	0.1	0.1	
Treasurer's Investment Borrowing Repayment	0.0	0.8	
Other Statutory Transfers	0.6	0.4	-25.4%
<b>TOTAL EXPENDITURES</b>	<b>\$ 39.02</b>	<b>\$ 40.17</b>	<b>2.9%</b>
Comptroller Budgetary Basis Adjustments	(0.2)		
<b>General Funds Surplus/(Deficit)</b>	<b>\$ (1.4)</b>	<b>\$ 0.0</b>	
Backlog Borrowing Proceeds	2.5		
Federal Revenue Due to Medicaid Backlog Payments	1.2		
<b>Adjusted General Funds Surplus/(Deficit)</b>	<b>\$ 2.3</b>	<b>\$ 0.0</b>	



# REBUILD ILLINOIS



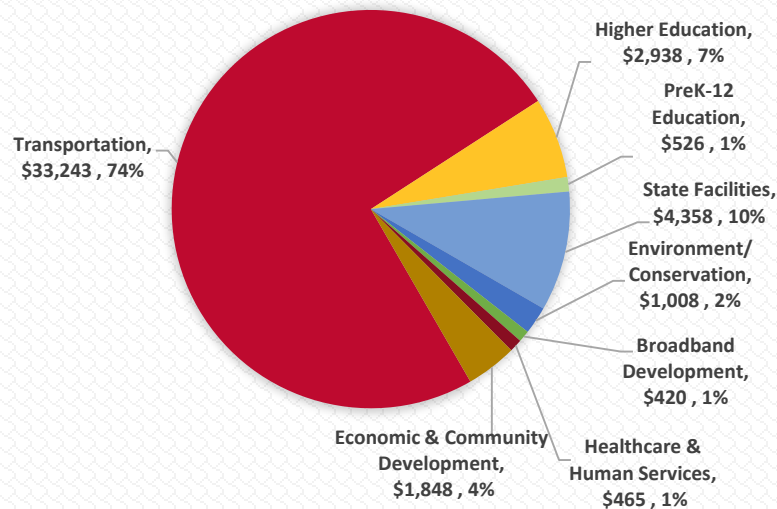
The State's **\$45 billion six-year capital plan** is the largest infrastructure investment in Illinois history, creating jobs, repairing roads and bridges and building major projects that are essential to Illinois' future.

The Rebuild Illinois plan includes:

- ✓ New bonded appropriations totaling \$20.8 billion
- ✓ Pay-as-you-go totaling \$10.4 billion
- ✓ Federal and local matches totaling \$13.6 billion

Prior year capital projects received reappropriations totaling \$6.4 billion in bonded funds and \$7.6 billion in pay-as-you go funds.

**REBUILD ILLINOIS BY CATEGORY  
(MILLIONS)**



REVENUE SOURCE	ANNUAL STATE REVENUE – full implementation (\$ in millions)
Motor Fuel Tax *	\$ 590
Vehicle Registration Fees	\$ 479
Title Fees	\$ 146
Truck Registration Fees	\$ 50
Special Fuels Tax	\$ 78
Reallocate Sales Tax from Motor Fuel **	\$ 600
Gaming ***	\$ 350
Parking Garage Tax	\$ 60
Traded in Property Exemption	\$ 40
Cigarette Tax	\$ 160
Sales Tax Parity	\$ 200
<b>ESTIMATED TOTAL</b>	<b>\$ 2,753</b>

\*The Motor Fuel Tax will increase annually based on the Consumer Price Index. Local governments receive 52 percent of the Motor Fuel Tax revenues.

\*\*Beginning in FY2022, 1% of the 5% state tax on motor fuel purchases will shift from a deposit into the General Funds to the Road Fund annually, with the full 5% deposited into the Road Fund by FY2026.

\*\*\*Gaming includes \$350M in recurring annual revenue at full implementation between casinos, video gaming and sports wagering. Upfront license fees associated with gaming expansion will be dedicated to pay-go Rebuild Illinois projects.



# State of Illinois Contacts

## State of Illinois

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- The State is looking at a fall bond sale for capital purposes
- The State is authorized to issue up to \$1.2 billion of Section 7.6 General Obligation bonds to pay backlogged bills.

