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1. Executive Summary



Improvements in the State's Credit Fundamentals Help Prepare for Volatility



Well-established Pattern of Fiscally Responsible Policies and Performance, Strong Operating Results, Declining Long-Term Debt Obligations, and Growing Reserves

Change in Key Fiscal Metrics Since 2019

	FY 2019	FY 2025
Bill Backlog / Accounts Payable	\$8 billion ¹	\$0 (Accounts payable <30 days)
Budget Stabilization Fund Balance	\$0.004 billion	\$2.36 billion
General Funds Balance	\$ 0.466 billion/1.2% of FY revenues	\$5.5 billion/11.5% of FY revenues
Bonded GO Debt Outstanding	\$28.0 billion ²	\$25.8 billion
Other Post Employment Benefits	\$54.5 billion ³	\$24.1 billion ⁴
Pension Funded Ratio (Fair Value)	40.3%	46.1% ⁵
State Contributions as % of ADC	66.8%	71.7% ⁵
Gross Domestic Product	\$881 billion ⁶	\$1.16 trillion ⁶
Credit Ratings (Moody's/S&P/Fitch)	Baa3/BBB-/BBB	A3/A-/A-

- **Five years of budget surpluses;** seven consecutive balanced budgets passed on time since FY 2019
- **Bonded indebtedness decreased by \$2.2 billion** from FY 2019 to today
- **OPEB liability declined 56%, or by \$30.4 billion,** from FY 2019 to FY 2025⁴
- **Supplemental pension contributions of \$700 million since FY 2022** are above statutory requirements and reduced the gap between actual contributions and ADC; **increased funded ratio by 5.8 percentage points overall from FY 2019 to FY 2025**
- **Over \$2 billion deposited to Budget Stabilization Fund (BSF) in FY 2022 – FY 2025, building the BSF to \$2.36 billion through a combination of one-time and dedicated contributions;** FY 2025 balance of \$2.36 billion (4.9% of preliminary FY 2025 total State sources revenues) moves toward new statutory target of 7.5% of revenues

Source: Except as otherwise noted in the footnotes below, the Preliminary Official Statement; Illinois State Fiscal Year 2025 Proposed Budget

1. Consists of both accounts payable and bills more than 30 days past due that occur in the months following the fiscal year end but are paid from fiscal year appropriations
2. State of Illinois, General Obligation Bonds, Series of April 2019 - Official Statement
3. Illinois Annual Comprehensive Financial Report FYE 2019
4. FY 2024 GOMB estimate that will be incorporated into FY 2025 ACFR
5. Annual Comprehensive Financial Reports of the Retirement Systems for FYE 2024
6. Bureau of Economic Analysis

2. Financial Update



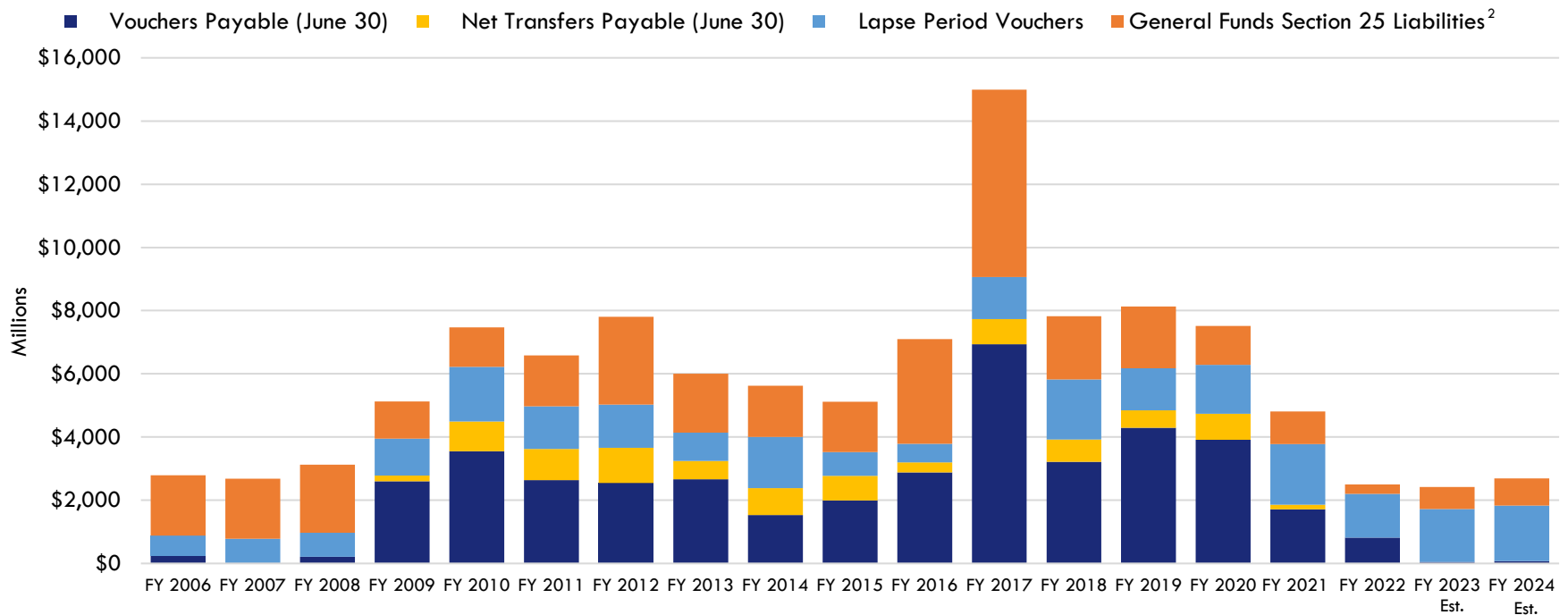
Broader Accounts Payable at Lowest Level in Two Decades



Former Bill Backlog Fully Eliminated, Ongoing Commitment to Minimizing Unpaid Bills

- For the third year in a row, the oldest GRF voucher pending at FYE was one business day old
- State has greatly reduced the amount processed via Section 25 exceptions²
- Clear picture of financial progress - FY 2024 Accounts Payable is 52% lower than the 20-year average

General Funds Accounts Payable Estimate¹ (Budget Basis - Official Statement Table II-6)



Source: IOC Traditional Budgetary Financial Report (TBFR), Annual Comprehensive Financial Reports (ACFR), GOMB Est.

¹ Includes General Funds Lapse Period Transactions as reported in the TBFR. Lapse Period Transactions include vouchers on 6/30, transfers pending on 6/30 plus new warrants that come in July and August from expiring appropriations.

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.

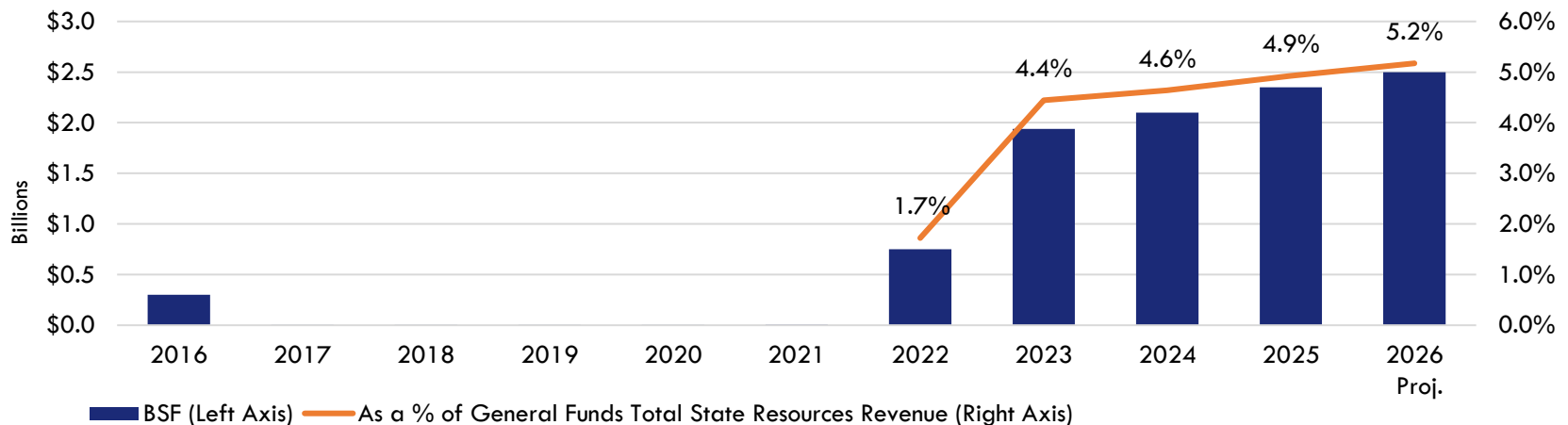
Significant Growth in Budget Stabilization Fund



Better Positioned for Uncertainty than at Any Time in a Generation

- \$256 million deposited in FY 2025 through permanent, dedicated revenue sources:
 - 10% of cannabis tax revenues (approximately \$25.1 million)
 - Monthly transfers of \$3.75 million from General Revenue Fund (\$45 million/year)
 - Repayment over 10 years from State's \$450 million loan to UI Trust Fund (est. \$45 million/year)
 - Two payments of \$45 million in FY2025 due to FY24 payment processed in July 2024
 - Interest earnings on Fund's balance (\$96.0 million for FY 2025)
- BSF balance of \$2.36 billion as of June 30, 2025, representing 4.9% of revised FY 2025 total State Resources Revenue estimates
- \$161 million of dedicated sources in FY 2026 proposed budget will bring the balance to nearly \$2.5 billion
 - One year pause on annual \$45 million transfer from General Revenue Fund

Budget Stabilization Fund: FYE Balance



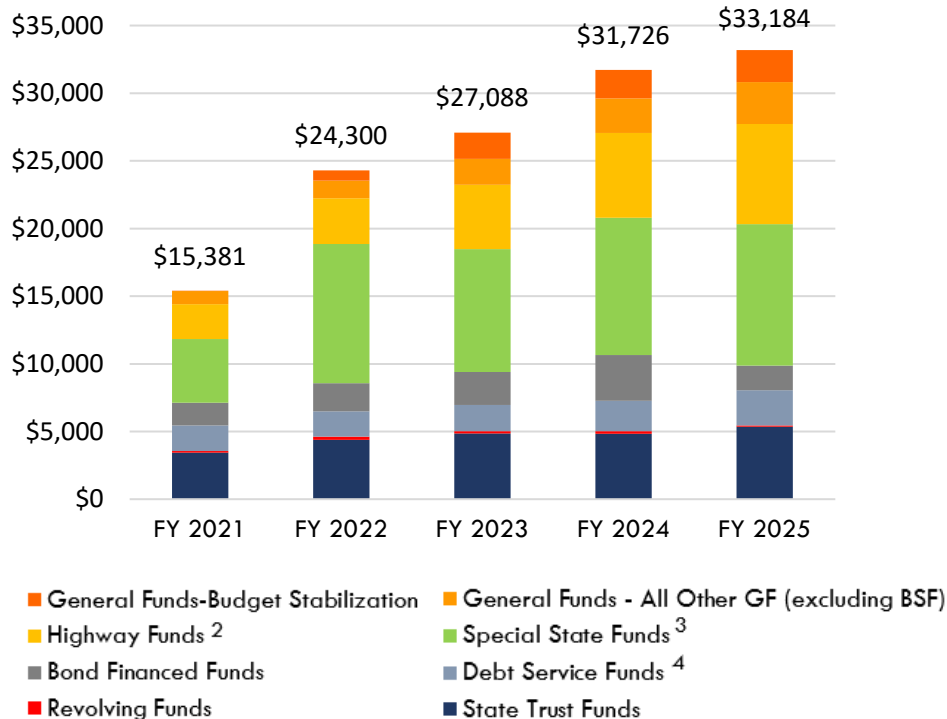
Existing State law provides executive branch ability to tap the Budget Stabilization Fund without requiring legislative approval

Cash Balances Have Continued Strong Growth



Cash Balances Double FY21 Levels; Provide Substantial Liquidity and Resources

Cash Balance by Fund Category¹
As of June 30 of Each FY
(\$ in Millions)



- Excluding Federal Trust Funds, **cash balances have more than doubled between June of 2021 and June of 2025, a 115.8% increase**
 - Cash Balance of Total General Funds (including the Budget Stabilization Fund) increased by \$4.48 billion (459.6%) during that same period
 - Balance of Highway Funds increased by \$4.84 billion (188.7%) during that time
- Budget Stabilization Fund grew to record \$2.36 billion by end of June 2025
- \$1.46 billion (4.6%) increase in cash balances over the past year
 - \$320 million (3.2%) increase in Special State Fund Balances between June 2024 and June 2025

Source: Preliminary Official Statement.

Notes: Totals may not add due to rounding. Increase in cash balance in some cases may be temporary and partly due to the timing of expenditures.

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. Increase from Fiscal Year 2021 to Fiscal Year 2022 is due in part to timing of expenditures during calendar year 2022 and an Income Tax Refund Fund balance greater than usual (\$2.6bn) due to (i) the State setting aside funds for rebates related to the one-time tax relief appropriation approved by the General Assembly in Public Act 102-0700 and (ii) the State's estimate for income tax refunds for Fiscal Year 2022 being greater than actual income tax funds required.

4. Includes the General Obligation Bond Retirement and Interest Fund.

3. Actual FY 2024, Preliminary FY 2025, and Enacted FY 2026 Budget

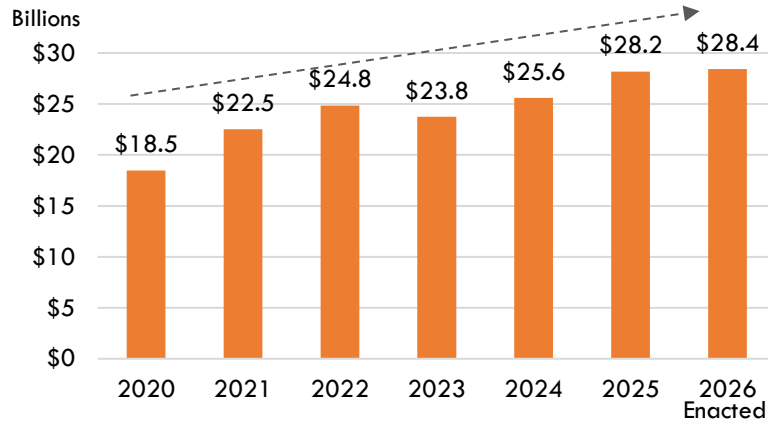


Positive Income and Sales Tax Performance

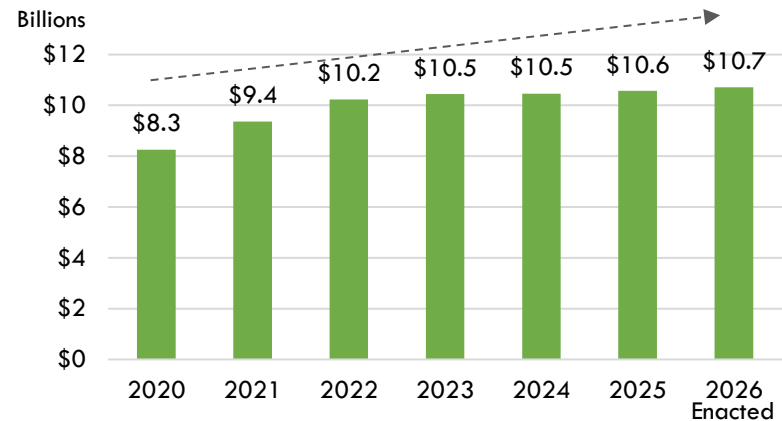


Growth in Income and Sales Tax Revenues Continues

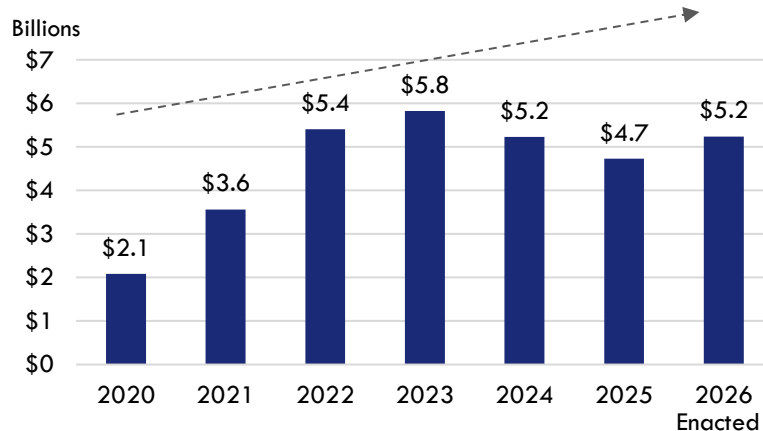
Historical Individual Income Tax Revenues



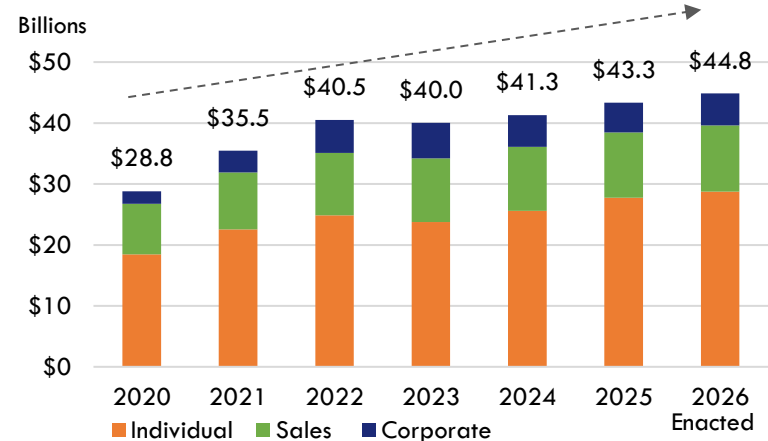
Historical Sales Tax Revenues



Historical Corporate Income Tax Revenues



Historical Income and Sales Tax Revenues (Combined)



4. Pension Update

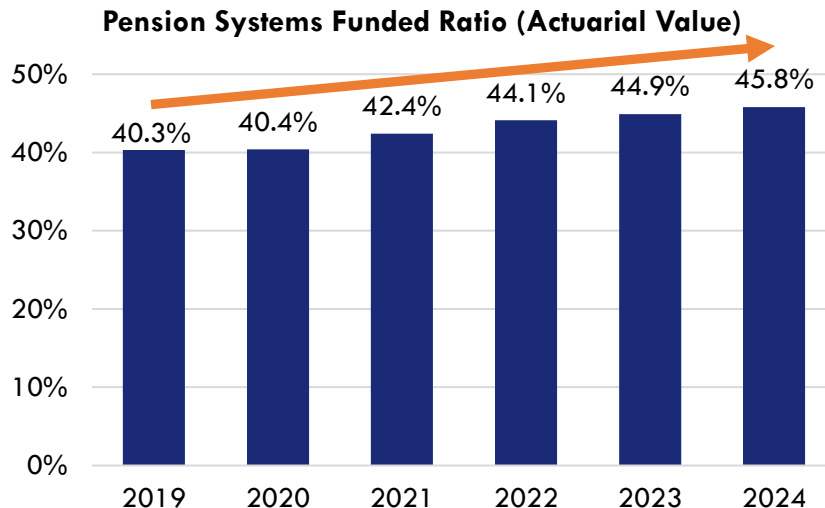


Funding Pension Obligations

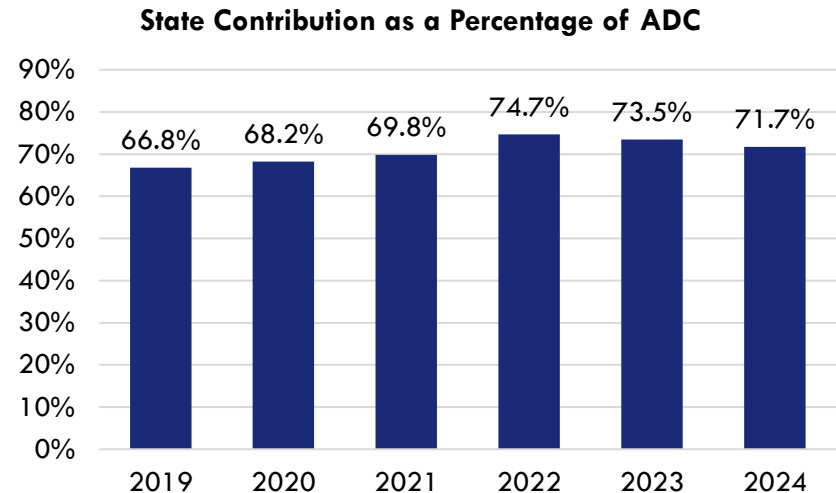


Pension Costs Have Begun to Level Off

- Plan in place to reach 90% funded ratio by 2045
- FY 2026 Enacted budget fully funds certified contributions of \$10.6 billion from General Funds
 - Contributions projected to constitute approximately 21% of State's General Funds expenditures
- FY 2026 Enacted budget sets aside an additional \$75 million to address Tier 2 Wage Base



Source: Annual Valuation Reports of the Retirement Systems



Source: Annual Comprehensive Financial Reports of the Retirement Systems for the fiscal years ending June 30, 2019 through June 30, 2023, FY2024 from State Pension Systems

Rate of Return Assumptions & Performance



The State's Pension Investments Have Outperformed Assumptions

- **Conservative Rate of Return Assumptions.** The weighted average of the assumed investment rate of return of Illinois' five State-backed pension plans has decreased significantly from 8.50% in 2009, to 6.84%,¹ below the US national average of 6.91% and median of 7.00% for public pension plans
- **Strong Investment Performance.** The FY 2024 weighted average actual 10-year geometric return of 6.80% compares to investment performance of 8.8% for TRS, 8.3% for SURS, and 9.3% for ISBI as of June 30, 2024²
 - Preliminary FY 2025 investment performance of 9.05% for TRS and 6.28% for SURS for the 12-month period ending June 30, 2025; and 3.3% for ISBI for the period of June 30, 2024 to March 31, 2025

<u>Assumed</u> Investment Rate of Return		
	2009	2024
TRS	8.50%	7.00%
SURS	8.50%	6.50%
SERS	8.50%	6.75%
GARS	8.00%	6.50%
JRS	8.00%	6.50%
Weighted Average*	8.49%	6.84%

*Each plan's rate of return has been weighted according to FY 2024 fiduciary net position

<u>Actual</u> Investment Rate of Return ¹			
	10 Year	5 Year	1 Year
TRS	6.6%	6.6%	8.8%
SURS	6.9%	7.8%	8.3%
SERS	6.7%	7.3%	9.3%
GARS	6.7%	7.3%	9.3%
JRS	6.7%	7.3%	9.3%
Weighted Average*	6.8%	7.6%	8.8%

¹ Historical average geometric return data from FY 2014 to FY 2024

* Each plan's rate of return has been weighted according to FY 2024 fiduciary net position

Reducing Liabilities & Building Assets to Close the Gap



Reducing Liabilities

- **2-Tier System.** Illinois created “2-tier” pension system in 2011, significantly lowering baseline pension costs
 - Tier 2 active membership exceeded Tier1 membership at FYE 2024 by 1,570 members, which will accelerate improvements in the funded ratio
- **Pension Acceleration Program.** Discounted State pension buyout program established in 2018 (PA 100-587) and extended in 2022 (PA 102-718) have reduced PV of future liabilities by an estimated \$2.9 billion
 - PA 104-008 authorized \$200 million to fund the program through FY 2026 sunset

Building Assets

- **Additional Contributions.** The State contributed an additional \$700 million to the systems above certified amounts across FY 2022 and FY 2023
 - These contributions will save taxpayers an estimated \$2.4 billion by FY 2045
 - First time since the 1994 plan was enacted that the State provided contributions above certified amounts
- **Pre-Payments.** PA 103-0588 allows for “pre-payments” to the retirement systems that will result in additional investment return
 - IOC made first pension pre-payment on July 15, 2024, which included \$422 million in pre-payments²
- **Investment Returns.** As detailed on the prior page, investment returns, on average, have exceeded assumptions over the past 5 years

The pension buyout program directly reduces the present value of liabilities and the pension funding gap without the relying on future investment performance

¹ Projections of State pension contributions come from the Retirement System Actuaries from 2024 valuations.

² IOC, “[Comptroller Susana Mendoza Orders First Pension Pre-payments Under New Rules](#)” press release July 15, 2024

5. Governance and Process Improvements



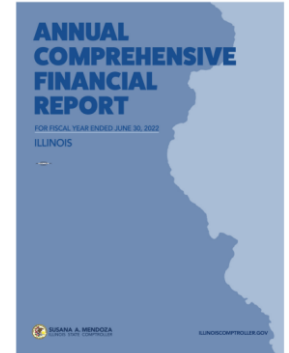
Streamlining ACFR Audit Process



Working to Address Audited Financial Report Timeliness

Statewide Transition

- The Office of Auditor General (OAG) transitioned to a statewide ACFR audit beginning with the FY 2025 ACFR, with fieldwork beginning in January 2025
- Staff from different constitutional officers meet regularly with the auditors to discuss the status of the audit and to prevent or minimize any significant delays the external auditors may face with obtaining audit evidence
- To assist agencies under the Governor, GOMB created an ACFR Internal Control (IC) Unit in November 2023, formalized by the enactment of PA 103-0866



GOMB ACFR IC Unit

- The ACFR IC Unit has two goals to assist agencies under the Governor with this multi-year transition:
 - Develop and implement the internal processes to manage the financial statement audit; and
 - Provide technical assistance and guidance to agencies with items such as improving internal controls, including information technology; enhancing the readiness of agencies for the statewide ACFR audit; and identifying and sharing best practices for agencies to document its internal controls
- ACFR IC Unit accomplishments from calendar year 2024 and 2025 include:
 - Conducted a tone at the top internal control meeting attended by each agency's chief executive officer, chief financial officer, general counsel, and chief internal auditor;
 - Released the Statutory Mandate and Agency Responsibility Tracker (SMART) application and policy to provide agencies under the jurisdiction of the Governor with an internal control to maintain a repository of state laws codified in the *Illinois Compiled Statutes* that impact agencies and their uses of public moneys;
 - Collaborated with the Comptroller and state agencies under the jurisdiction of the Governor for implementing GASB Statement No. 101, Compensated Absences and GASB Statement No. 102, Certain Risk Disclosures

6. Conclusion



State's Credit Strengths



Broad, Diverse, and Growing State Economy

- Fifth largest economy in the country with deeply diverse industry base – no sector makes up more than 21%
- National hub for trade, travel, corporate headquarters, and higher education
 - 37.7% of IL residents have an undergraduate degree or higher
- Increasing per capita income, 5.2% CAGR since 2020Q1– Higher PCI than the nation and Great Lakes region
- Private and public investments in new, forward-looking technologies and evolving industries such as quantum

Strong Financial Management

- Record Budget Stabilization Fund expected to grow to \$2.5 billion by FYE 2026, or 5.2% of revenues
- **General Funds cash balance reached 9.7% of General Funds Based Revenues** providing significant liquidity growth
- Consistent reduction of State's liabilities as evidenced by the Bill Backlog elimination and debt defeasances
- Growing cash balances, conservative budgeting, and improved reporting transparency
- Oldest General Revenue Fund voucher pending was **one business day** for the third FYE in a row
- Revenue generating and expenditure flexibility with a **track record of fiscal prudence**

Pension Funding Progress

- FY 2026 budget sets aside \$75 million for additional contributions to address Tier 2 safe harbor provisions
- Shift in pension beneficiary population as active Tier 2 membership outpaces active Tier 1 for the **FIRST TIME**
- Additional \$200 million of bond funding authorized for Pension Acceleration program permanently reduces pension liability
- Supplemental pension payments of \$700 million since FY 2022
- Conservative investment earning assumptions reduced to 6.8%, below the national average
- PA 103-0588 allows for "pre-payments" by retirement systems that will result in additional investment return

Conservative Debt Portfolio

- Equal annual principal payments requirement leads to 75% of GO debt paid off in 10 years, 96% of GO debt paid off in 20 years
- Outstanding debt is 100% fixed rate with no variable rate debt or interest rate swap agreements

Moderating Long-Term Liabilities

- Reduced short-term and medium-term debt outstanding by over \$11 billion
- OPEB liability decreased by estimated \$32 billion or 57% from FY 2021 to FY 2025
- Funded ratio improved from 40.3% to 46.1% from FY 2019 to FY 2024

Appendix A. Additional Financial Detail Tables



General Funds Accounts Payable Estimate



Accounts payable are improving – reducing outstanding bills to nearly pre-Great Recession levels

Historical General Funds Accounts Payable Estimate (Budget Basis - Official Statement Table II-6)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 ³	FY 2017 ³	FY 2018 ³	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 EST	FY 2024 EST
General Funds Budget Basis Accounts Payable¹																					
Lapse Period Vouchers	588	566	647	776	767	1,168	1,732	1,353	1,368	898	1,626	752	590	1,325	1,904	1,333	1,545	1,917	1,384	1,670	1,748
Vouchers Payable (June 30)	4	405	234	1	208	2,600	3,552	2,634	2,547	2,663	1,535	1,993	2,881	6,939	3,218	4,293	3,910	1,712	816	52	79
Net Transfers Payable (June 30)	0	0	0	0	0	185	940	989	1,109	581	844	776	318	797	701	553	827	150	0	0	0
General Funds Section 25 Liabilities²	905	2,134	1,914	1,908	2,148	1,170	1,250	1,604	2,778	1,864	1,622	1,598	3,307	5,932	2,004	1,953	1,230	1,026	304	700	860
Total General Funds Accounts Payables	1,497	3,105	2,795	2,685	3,123	5,123	7,474	6,580	7,802	6,006	5,627	5,119	7,096	14,993	7,827	8,132	7,512	4,805	2,504	2,422	2,687
Section 25 Liabilities - Other State Funds	390	750	433	1,460	220	321	270	237	850	489	429	316	956	162	214	224	208	325	98	450	480

Source: Illinois Office of the Comptroller. Section 25 Liabilities are reported in the ACFR and the Section 25 Deferred Liabilities Report. Budget Basis Accounts Payable as reported on page 11 of the TBFR.

¹ This amount includes General Funds Lapse Period Transactions as reported in the TBFR. Lapse Period Transactions include vouchers on 6/30, transfers pending on 6/30 plus new warrants that come in July and August from expiring appropriations.

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 FY 2016 - FY2018 were understated due to the lack of appropriations of certain liabilities due to the budget impasse.

General Fund Monthly Revenues



FY 2025 General Funds Total Revenues Are 2.7% Above Last FY's

GENERAL FUNDS MONTHLY REVENUES, JULY 2023-JUNE 2025
(\$ in millions)

	Fiscal Year 2025											
	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
State Source Revenues:												
Individual Income Tax	1,860	1,533	2,541	1,916	1,508	2,581	2,594	1,688	2,974	4,519	1,846	2,615
Corporate Income Tax	194	82	866	152	107	756	161	81	259	1,202	154	712
Sales Tax	891	915	910	916	900	1,000	864	720	781	895	884	898
Other Sources/Transfers In	534	479	361	815	346	455	657	505	601	449	746	796
State Source Revenues	3,479	3,009	4,678	3,799	2,861	4,792	4,276	2,994	4,615	7,065	3,630	5,021
Federal Sources	314	476	120	386	413	429	473	299	277	94	240	260
Total Revenues	3,793	3,485	4,798	4,185	3,274	5,221	4,749	3,293	4,892	7,159	3,870	5,281

	Fiscal Year 2024											
	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
State Source Revenues:												
Individual Income Tax	1,554	1,579	2,213	1,920	1,531	2,136	2,499	1,691	2,595	3,757	1,893	2,236
Corporate Income Tax	259	76	937	227	157	769	278	118	257	1,128	217	803
Sales Tax	919	927	937	901	857	928	888	709	786	855	891	869
Other Sources/Transfers In	360	462	1,078	379	378	551	785	556	555	505	430	727
State Source Revenues	3,092	3,045	5,165	3,427	2,923	4,384	4,450	3,073	4,193	6,245	3,431	4,635
Federal Sources	314	390	312	1,018	140	510	334	372	490	321	114	211
Total Revenues	3,406	3,435	5,477	4,445	3,063	4,894	4,784	3,445	4,683	6,566	3,545	4,846