

State of Illinois **Rating Agency Presentation**

October 2021

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1. Executive Summary



Executive Summary



At a pivotal point for the State - taking a comprehensive approach to investing in the future

Shoring up the State's Finances

- Reduced the bill backlog drastically so Illinois is paying its vendors on time for the first time in two decades.
- Balanced three straight budgets - strategically investing in the State's future in areas like education, healthcare, and human services while paying down state debt.

Economic Development

- Prioritized job creation, with pre-pandemic statewide unemployment reaching historic lows and with every region in the state creating jobs simultaneously for the first time in 20 years.
- Introduced 5-year economic plan for Illinois to reinvigorate state's economy by focusing on the nation's fastest growing industries.
- As part of Rebuild Illinois, the State will invest \$200 million, along with \$230 million in federal funding, for the Quantum Exchange to support quantum science infrastructure to put Illinois at the forefront of creating jobs for the next century.

Education

- Strengthened early education and childcare with biggest state investment ever into early childhood programs and facilities; set a goal to make Illinois the best state in the nation for raising young families.
- Increased base elementary and secondary school education funding formula by more than \$1 billion since the new funding formula was enacted.
- Increased funding for need-based and merit scholarship aid for Illinois college students while investing in key capital projects at state universities and community colleges.

Infrastructure

- Achieved bipartisan support for and is managing the execution of the \$45 billion Rebuild IL Capital program, the state's largest-ever infrastructure program which includes improvements to the state's roads, bridges, public buildings, colleges, waterways, ports, parks and public transportation.
- Dedicated more than \$400 million to Connect Illinois, the largest high speed internet expansion effort in Illinois history.

2. COVID-19 Update



COVID-19 Pandemic Response



Adept Management of the Pandemic Supports the State's Inherent Credit Strengths

- ✓ Resolute actions to limit the pandemic's impact on public health and the economy:
 - ✓ Provided coverage of COVID-19 testing and treatment to all Illinois residents at no cost and opened all community-based testing sites to anyone regardless of insurance or symptoms.
 - ✓ Began a massive vaccination campaign, now over 8.7 million residents have at least one dose of the vaccine (80.9% 12+/82.5.0% of adults).¹
- ✓ Used available financial management tools to mitigate the impact of COVID-19 on the state's fiscal position.
- ✓ Maintained liquidity during the course of the pandemic with access to internal and external funds and provided critical services timely and effectively to support the State's residents and local governments.
- ✓ Unemployment rates raised to as high as 16.5% in April 2020 but have significantly improved to 6.8% as of September 2021, demonstrating the State's resiliency.
- ✓ FY 2021 General Fund Revenues outperformed expectations and rebounded to more than 110%² of monthly pre-pandemic revenues. FY 2022 Revenues continue to outperform historical revenues.
- ✓ \$146.6 billion in federal stimulus funds have directly or indirectly come to Illinois, which is \$11,442³ per capita.
- ✓ Continued to invest in the State's future with strategic investments in priority areas while shoring up the State's finances.

¹ <https://dph.illinois.gov/covid19/vaccine/vaccine-data.html?county=Illinois#statewideVaccinationData> as of 10/18/21

² For purposes of this calculation it was assumed that revenues started to be adversely impacted by the pandemic in March 2020; thus, July 2020 to February 2021 revenues are compared to July 2019 to February 2020 revenues and March 2021 to June 2021 revenues are compared to March 2019 to June 2019 revenues. See Appendix for details of the data in tabular form.

³ Federal funds estimates based on \$52.3 billion directly allocated to the State in federal COVID response bills via grant allocations and \$94.57 billion "non-grant" payments to individuals and businesses in Illinois through programs such as Economic Impact payments, unemployment insurance payments, PPP, Economic Injury Disaster Loans, SNAP/food assistance. This does not include \$3.2 billion in MLF borrowing. Assumes 2020 population of 12,812,508.

American Rescue Plan Act (“ARPA”)



State is strategically using ARPA funds to recover from pandemic and invest in future

- ✓ The State received \$8.1 billion in Coronavirus State Fiscal Recovery Fund (“CSFRF”) funds from ARPA.
- ✓ Funds must be used for expenses incurred through December 31, 2024.
- ✓ Additionally, Illinois is expected to receive \$254 million from the Coronavirus Capital Projects Fund.
- ✓ The State’s FY 2022 budget includes \$2.8 billion in initial ARPA CSFRF appropriations generally being used for capital investments and one-time recovery and rebuilding measures.

FY 2022 ARPA CSFRF Funds	(\$’s in millions)
State Agency Funding to Support COVID-19 Response	\$380.0
Economic Recovery for small businesses, job training and negatively impacted industries	573.3
Healthcare Response and Improving Public Health Outcomes	406.5
Violence Prevention and Youth Employment	128.9
Affordable Housing/Homelessness	114.2
Improving Educational Outcomes/Addressing Educational Disparities	55.8
Community Support Programs to Address Disparities in Public Health Outcomes	163.8
Capital Infrastructure	1,000.0
Total	\$2,822.5

- ✓ Aside from the \$8.1 billion received from the CSFRF within ARPA, additional funds are expected to be received by the State and the following amounts are included in the FY 2022 budget by program area: Elementary and secondary education (\$5.28 billion), Higher education (\$1.27 billion), Human services (\$1.49 billion), Public health (\$515 million), Housing (\$1.05 billion), Dept on Aging (\$51.2 million), Economic Development (\$553.2 million), Transportation (\$14 million), and Government services (\$4.9 million).

Proactively paying down pandemic-related borrowings



Allowing for significant savings in interest costs

- ✓ Maintained adequate liquidity to provide essential services during the pandemic.
 - ✓ The State took advantage of the MLF program to provide liquidity and avoid increasing the backlog.
- ✓ Reduced outstanding liabilities from \$8.9 billion as of June 2020 to \$5.9 billion by June 2021.
 - ✓ IOC Debt Transparency Report estimate of 6/30/21 backlog down to \$4.0 billion.
 - ✓ Unpaid bill backlog nearly half of December 2018 level.
- ✓ Worked to significantly reduce vendor payment delays in Spring 2021, essentially eliminating the delay in GRF commercial vouchers.
- ✓ Proactively repaying borrowings and saving interest costs.

Federal Reserve Municipal Liquidity Facility (MLF)

- ✓ In FY 2021, the State set aside \$2.2 billion to repay a portion of the \$3.2 billion in MLF debt.
- ✓ Outstanding balance of the MLF debt reduced to \$1.0 billion in July 2021.
- ✓ The State intends to prepay the remaining \$1 billion in MLF debt in FY 2022¹.

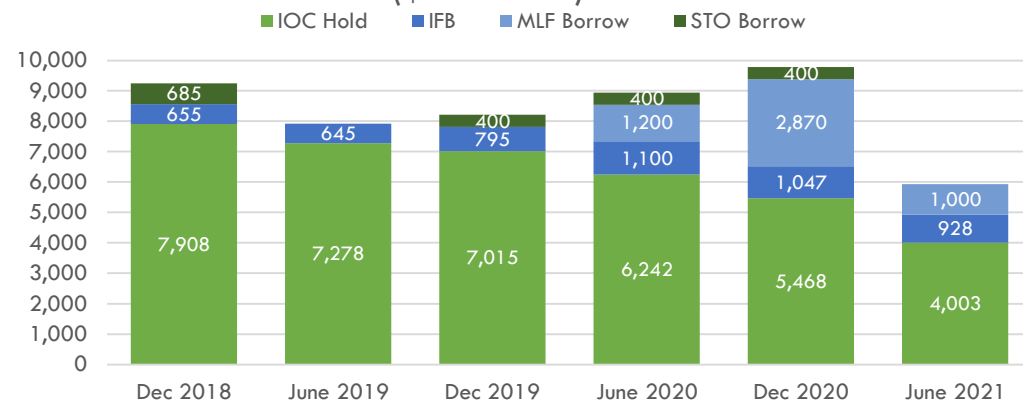
Interfund Borrowing (IFB)

- ✓ Repaid \$170 million of outstanding IFB during FY 2021.

Treasurer Investment Borrowing (STO)

- ✓ Repaid \$400 million amount borrowed during the pandemic from the State's portfolio under investment borrowing tool allowed under PA 100-1107.

Unpaid Bill Backlog and Borrowing
(\$ in millions)



¹ State published a redemption notice on [October 22, 2021] that it intends to repay \$150 million of MLF on November 12, 2021.

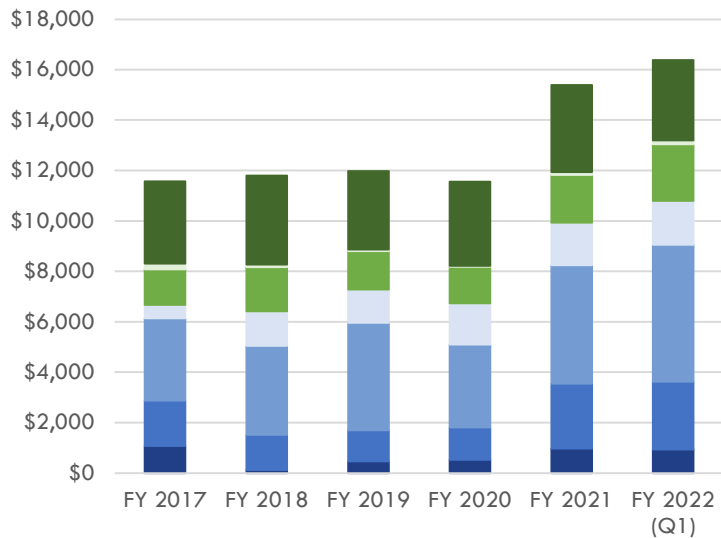
Cash Balances



Illinois' cash position continues to be very strong

- ✓ The State's FY 2021 year-end cash balance of \$15.38 billion was significantly higher than previous year-end cash balances.
- ✓ FY 2020 year-end cash balance looked strong relative to previous years, even with the COVID-19 economic impact.

Cash Balances by fund FY 2017 - FY 2021
(\$ Millions)



■ General Funds ■ Highway Funds ■ Special State Funds
■ Bond Financed Funds ■ Debt Service Funds ■ Revolving Funds
■ State Trust Funds

Cash Balance by Fund Category as of End of FY2017-2021 (\$ Millions)²

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Q1 FY 2022
Fund Category ¹						
General Funds	\$1,077	\$125	\$466	\$531	\$975	\$937
Highway funds ²	1,796	1,391	1,228	1,272	2,568	2,684
Special State Funds	3,257	3,530	4,259	3,289	4,699	5,433
Bond Financed Funds	541	1,372	1,330	1,642	1,684	1,735
Debt Service Funds ³	1,411	1,752	1,518	1,442	1,893	2,246
Revolving Funds	224	103	62	40	116	155
State Trust Funds	3,261	3,525	3,113	3,344	3,447	3,189
TOTAL	\$11,567	\$11,797	\$11,975	\$11,560	\$15,381	\$16,378

Source: Illinois Office of the Comptroller and the Governor's Office of Management and Budget ("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 General Obligation Bond Retirement and Interest Fund.

3. Accounts Payable



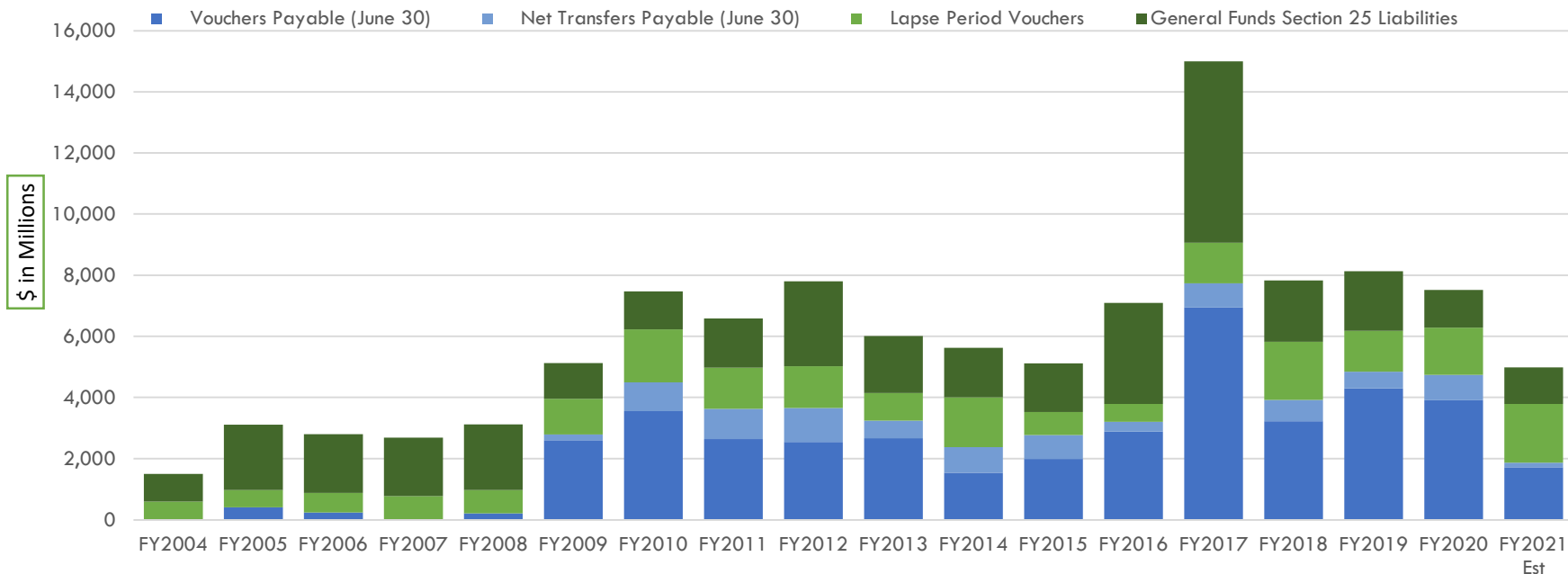
Historic Review of Accounts Payable



Accounts Payable Returns to Historical Levels

- ✓ According to Comptroller's Debt Transparency Act Report, General Funds vouchers and transfers pending at IOC totaled \$2.2 billion:
 - ✓ \$229 million reflected commercial vouchers pending less than a week – the lowest amount pending on 6/30 since 2008.
 - ✓ \$1.97 billion reflected transfers owed to other state accounts.¹
- ✓ Lapse period vouchers reflect payments submitted to IOC during state's lapse period (close out period, generally 7/1 –8/31).
 - ✓ These are bills reflecting FY services, but not received and approved for processing until after June 30.
- ✓ 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 – primarily state employee health insurance and Medicaid liabilities.

General Funds Accounts Payable Estimate (Budget Basis - Official Statement Table 5*)



Source: IOC Traditional Budgetary Financial Report, Annual Comprehensive Financial Reports, GOMB Est

*See Appendix for Table 5.

¹ FY21 Est in chart shows \$1.7B in vouchers payable and \$150M in Net Transfers (IOC TBFR estimates) – but est. \$1.5B of vouchers payable are vouchered transfers, not commercial vouchers.

4. FY 2021 Preliminary Results and FY 2022 Enacted Budget



Preliminary FY 2021 Results



- ✓ Base General Funds revenues preliminary results for FY 2021 are \$44.9 billion, an \$8.4 billion, or 23.1%, increase from the May 2020 estimate.
- ✓ May 2020 estimate was conservatively based on the IHS Markit pessimistic outlook scenario.
- ✓ Accelerated prepayment of \$1 billion MLF to provide FY 2022 relief and save interest expense. The State set aside \$2.2 billion in funds in FY 2021 to repay MLF debt.

Resources (\$ in millions)	May 2020 Estimate FY 2021 Enacted Budget	Preliminary Results FY 2021 (as of 7/1/21)	Dollar Change	Percent Change
State Sources: Revenues				
Net Individual Income Taxes	18,352	22,525	4,173	22.7%
Net Corporate Income Taxes	2,122	3,563	1,441	67.9%
Net Sales Taxes	7,453	9,368	1,915	25.7%
Public Utility Taxes	828	752	(76)	(9.2%)
All Other Sources	2,424	2,350	(74)	(3.1%)
Lottery Transfer	636	777	141	22.2%
Gaming Transfer	103	-	(103)	(100.0%)
Adult-Use Cannabis Transfer	46	71	25	54.3%
Other Transfers	773	702	(71)	(9.2%)
Federal Sources	3,684	4,744	1,060	28.8%
TOTAL RESOURCES	36,421	44,852	8,431	23.1%
Interfund Borrowing	300	-	(300)	(100.0%)
Municipal Liquidity Facility	5,000	1,998	(3,002)	(60.0%)
P.A. 101-0008 Revenues/Section 7.6 Borrowing Backup	1,274	-	(1,274)	(100.0%)
TOTAL RESOURCES WITH COVID-RELATED FEDERAL RECEIPTS	42,995	46,850	3,855	9.0%
EXPENDITURES				
1. Education	10,839	10,870	31	0.3%
2. Economic Development	81	81	-	-
3. Public Safety	1,910	1,915	5	0.2%
4. Human Services	7,077	7,177	100	1.4%
5. Healthcare	8,014	8,179	165	2.1%
6. Environment and Culture	61	61	-	-
7. Government Services	3,490	3,786	296	8.5%
8. Pensions	8,624	8,624	-	-
9. Unspent Appropriations (FY21 amount finalized Sept 30th)	(1,062)	(1,314)	(258)	24.3%
Total Operating Budget	39,036	39,379	343	0.9%
EXPENDITURES: TRANSFERS OUT OF GENERAL FUNDS				
Statutory Transfers Out	425	517	92	21.8%
Debt Service	1,709	1,529	(180)	(10.5%)
Interfund Borrowing Repayment	90	140	50	55.6%
Treasurer's Investment Borrowing Repayment ¹	400	405	5	1.3%
COVID-Related Debt Repayment (June 2020 MLF) ²	1,248	1,209	(39)	(3.1%)
Total Transfers Out	3,872	3,800	(72)	(1.9%)
TOTAL EXPENDITURES	42,907	43,179	272	0.6%
COVID-Related Debt Paydown (December 2020 MLF) ²		1,000	1,000	-
TOTAL EXPENDITURES WITH DEBT PAYDOWN	42,907	44,179	1,272	3.0%

¹ Treasurer's Investment Borrowing, authorized by PA 100-1107, allows the State Treasurer to provide funds to assist with the state's accounts payable. Principal of funds invested and repaid within a fiscal year are not included here. Currently \$400 million, invested in November 2020, is scheduled to be repaid by the end of fiscal year 2021.

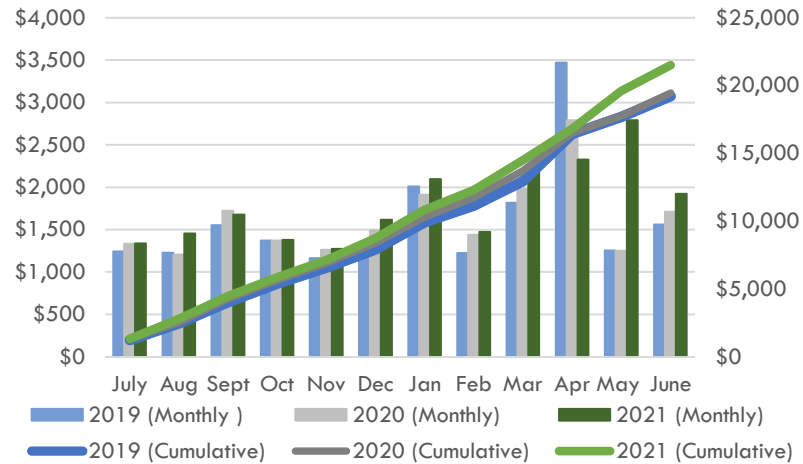
² GOMB executed two separate borrowing transactions through the Federal Municipal Liquidity Facility program. The first borrowing was executed in June of 2020, totaling \$1.2 billion. Repayment of this borrowing was completed in FY2021. The second borrowing was executed in December 2020, totaling \$2.0 billion. Repayment of this borrowing is scheduled over the next three fiscal years, with \$690 million due in FY2022, \$713 million due in FY2023, and \$736 million due in FY2024. Currently reflected is the intention to pay off the December 2020 borrowing in full in FY2021 and FY2022.

General Fund Monthly Revenues

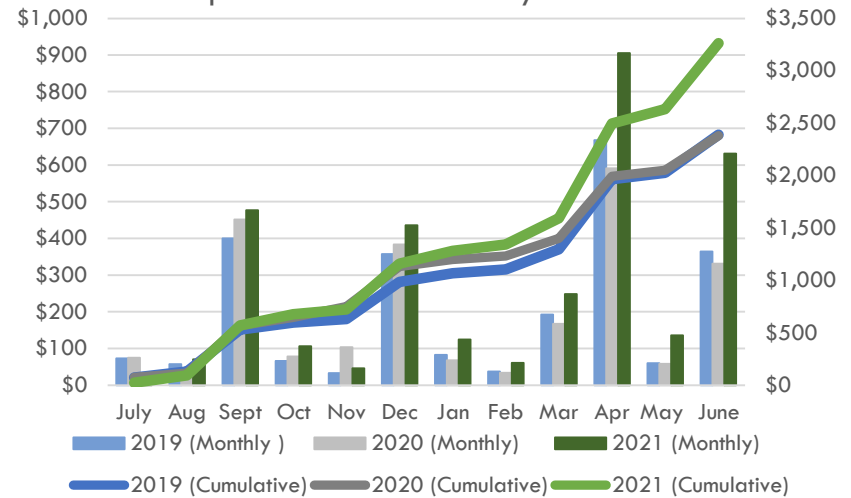


FY 2021 Revenues rebounded to more than 110% of pre-pandemic revenues

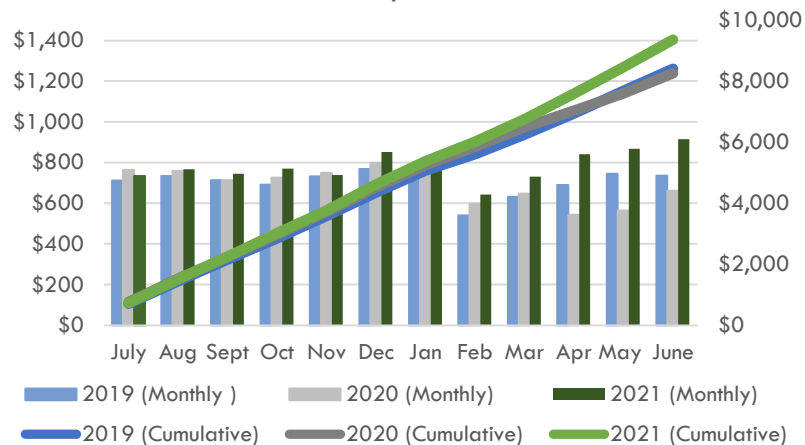
Individual Income Taxes by Fiscal Year



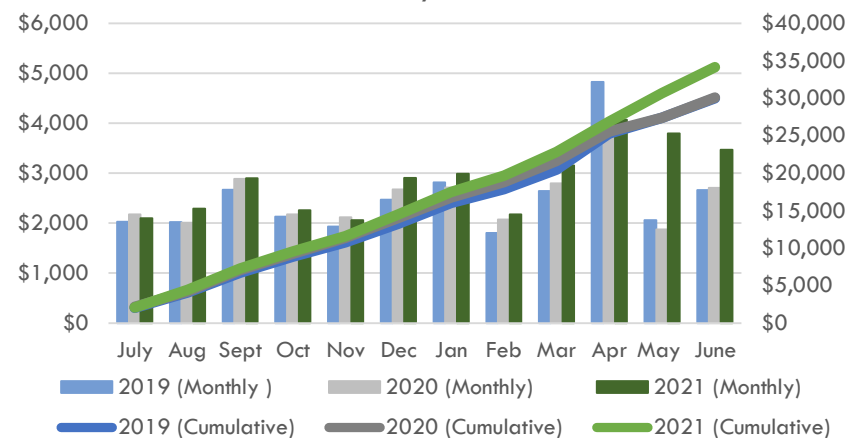
Corporate Income Taxes by Fiscal Year



Sales Tax by Fiscal Year



All Taxes by Fiscal Year



Note: For purposes of this calculation it was assumed that revenues started to be adversely impacted by the pandemic in March 2020 thus July 2020 to February 2021 revenues are compared to July 2019 to February 2020 revenues and March 2021 to June 2021 revenues are compared to March 2019 to June 2019 revenues. Also in 2020 the individual and corporate income tax filing date was extended from April 15 to July 15. The revenues have been adjusted to reflect a shift of \$1 billion of individual income tax and \$300 million in corporate income tax from July 2020 (FY 2021) back to April 2020 (FY 2020). The top three revenues of the General Fund are included. See Appendix for details of the data in tabular form.

FY 2022 Enacted Operating Budget



A Balanced Budget that Builds on a New Era of Progress

The enacted \$42.3 billion FY 2022 base budget restores economic and budgetary stability through continued steps toward structural balance.

Balanced

- ✓ Balanced approach that holds the line on spending, helping to bend the cost curve of government
- ✓ Strategically deploys state and federal resources.
- ✓ The proposed FY 2022 budget estimates a surplus of \$88 million.
- ✓ Through the end of September, top three FY 2022 GF revenues are approximately \$837 million ahead of estimates and total GF revenues are \$1.3 billion ahead of estimates.

Protects Key Investment Areas

- ✓ Increases funding for safety net human services agencies, while spending for most agencies is held flat.
- ✓ Increases Evidence-Based Education Funding (EBF) \$350M from FY 2021 levels – \$7.6 billion general funds.
- ✓ Holds general funds support for universities and community colleges flat to fiscal year 2021 levels.
- ✓ Increases the Monetary Award Program (MAP) by \$28.0 million to a total of \$479.6 million.
- ✓ Fully pays the certified FY 2022 General Funds pension contribution of \$9.4 billion.

Revenue Changes and Savings

- ✓ Closes various corporate tax loopholes to generate a total of \$655 million in additional revenue.
- ✓ Budget continues to benefit from the \$900 million in estimated health insurance savings:
 - ✓ \$650 million in health insurance costs through FY 2023 through collective bargaining.
 - ✓ An additional \$260 million in savings come from negotiated insurance rates and contract terms.

FY 2021 and FY 2022 General Funds Revenues Summary



Following FY21 robust revenue performance the State continues to conservatively forecast revenues

- ✓ Base General Funds revenues are estimated to total \$42.4 billion, a \$2.49 billion, or 5.5%, decrease from FY 21 preliminary results demonstrating the conservative nature of the estimates.
- ✓ Individual income taxes are forecasted to be below FY 21 due to the extension of the April 2020 tax filing deadline to July 2020 – in FY21.
- ✓ Federal revenue forecast equals \$4,203 million, a reduction from FY 21 due to only a half year of enhanced Medicaid match.
 - ✓ Includes assumption enhanced match extends through CY21.
- ✓ FY 22 revenue forecast benefits from closure of several tax loopholes.
- ✓ FY22 estimates approximately \$1.3 billion ahead of estimates through the end of September.

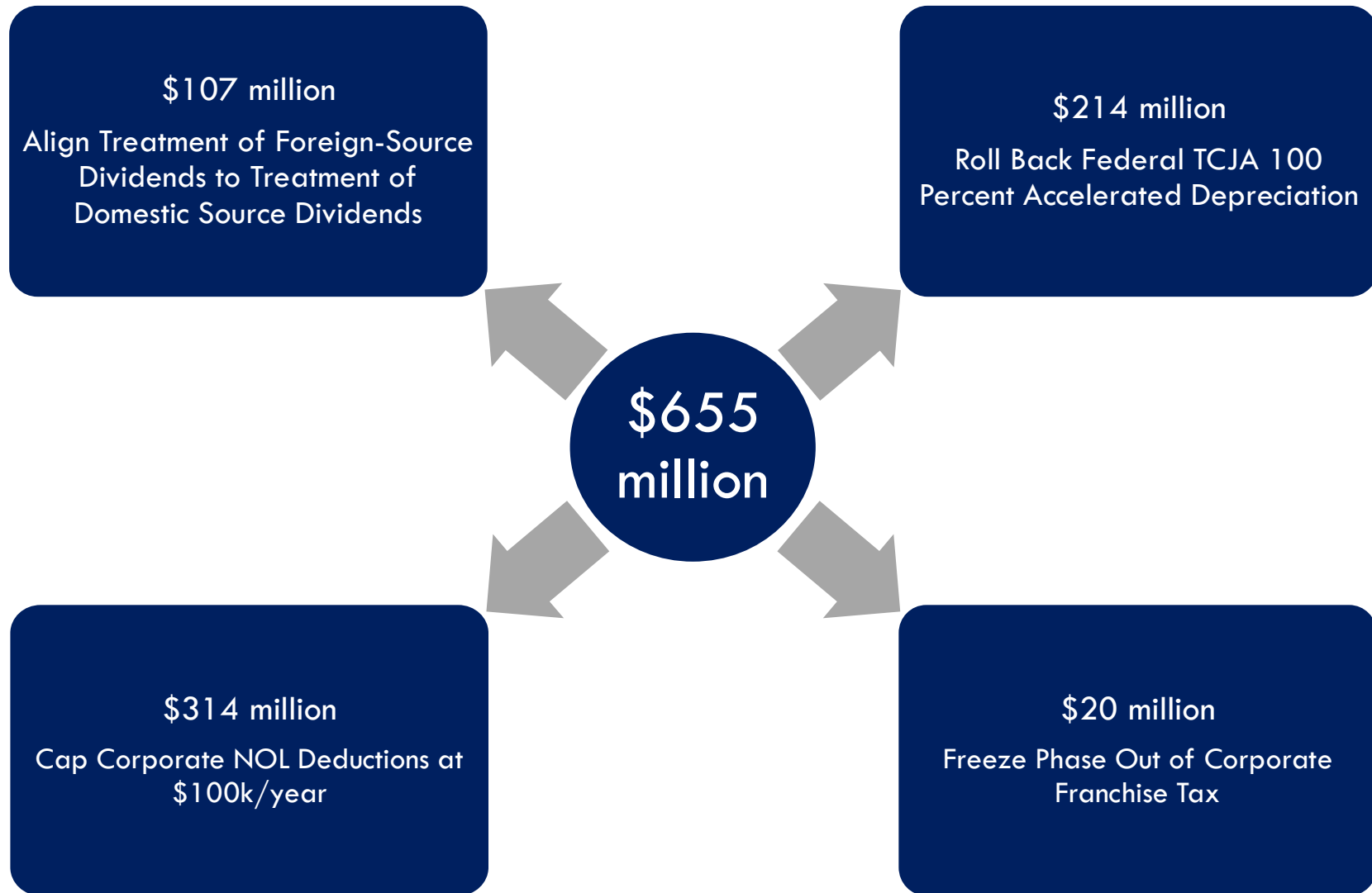
(\$ in millions)	Preliminary Results FY 2021	Enacted Budget FY 2022	Dollar Change	Percent Change
RESOURCES				
State Sources: Revenues				
Net Individual Income Taxes	22,525	20,792	(1,733)	(7.7%)
Net Corporate Income Taxes	3,563	3,293	(270)	(7.6%)
Net Sales Taxes	9,368	9,255	(113)	(1.2%)
Public Utility Taxes	752	751	(1)	(0.1%)
All Other Sources	2,350	2,377	27	1.1%
Total State Sources: Revenues	38,558	36,467	(2,091)	(5.4%)
State Sources: Transfers In				
Lottery Transfer	777	739	(38)	(4.9%)
Gaming Transfer	-	98	98	-
Adult-Use Cannabis Transfer	71	90	19	26.8%
Other Transfers	702	770	68	9.7%
Total State Sources	40,108	38,164	(1,944)	(4.8%)
Federal Sources	4,744	4,203	(541)	(11.4%)
TOTAL RESOURCES	44,852	42,367	(2,485)	(5.5%)
Interfund Borrowing	-	-	-	-
Municipal Liquidity Facility	1,998	-	(1,998)	(100.0%)
ARPA Reimbursement for Essential Government Services	-	2,000	2,000	-
TOTAL RESOURCES WITH COVID-RELATED FEDERAL	46,850	44,367	(2,483)	(5.3%)

Note: Totals may not add due to rounding

Closing Corporate Loopholes



"Off the Top" Expenditures of State Tax Dollars



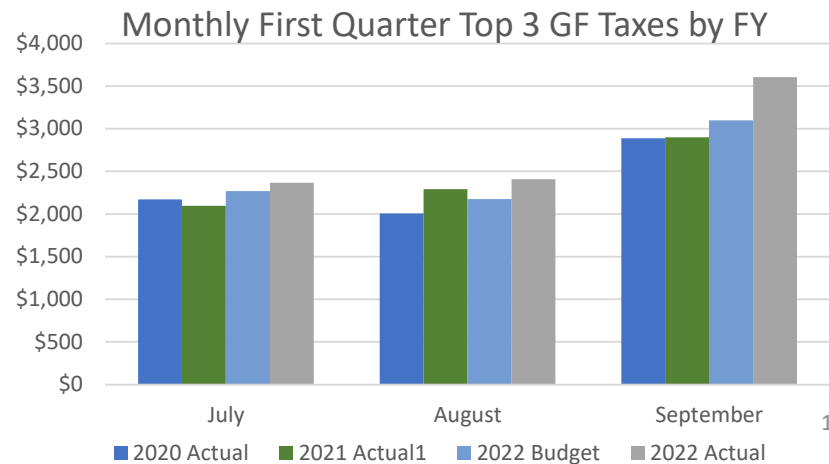
FY 22 Revenues Continue to Outpace Historical Revenues



					22 Act. vs 21 Act.		22 Act. vs 22 Bud.	
Individual Income Tax	2020 Actual	2021 Actual ¹	2022 Budget	2022 Actual	Diff.	% Diff	Diff.	% Diff
July	1,332	1,339	1,363	1,342	3	0.2%	(21)	(1.5%)
August	1,207	1,453	1,318	1,501	48	3.3%	183	13.9%
September	1,723	1,676	1,768	1,835	159	9.5%	67	3.8%
YTD Total	4,262	4,468	4,449	4,678	210	4.7%	229	5.1%
Corporate Income Tax								
July	75	23	101	125	102	443.5%	24	23.8%
August	41	70	79	58	(12)	(17.1%)	(21)	(26.6%)
September	451	477	552	889	412	86.4%	337	61.1%
YTD Total	567	570	732	1,072	502	88.1%	340	46.4%
Sales Tax								
July	764	734	803	900	166	22.6%	97	12.1%
August	759	767	779	847	80	10.4%	68	8.7%
September	713	745	777	880	135	18.1%	103	13.3%
YTD Total	2,236	2,246	2,359	2,627	381	17.0%	268	11.4%
Total Top 3 GF Taxes								
July	2,171	2,096	2,267	2,367	271	12.9%	100	4.4%
August	2,007	2,290	2,176	2,406	116	5.1%	230	10.6%
September	2,887	2,898	3,097	3,604	706	24.4%	507	16.4%
YTD Total	7,065	7,284	7,540	8,377	1,093	15.0%	837	11.1%

Notes:

¹In 2020 the individual and corporate income tax filing date was extended from April 15 to July 15. The revenues have been adjusted downward to reflect a shift of \$1 billion of individual income tax and \$300 million in corporate income tax from July 2020 (FY 2021). Gray shading represents monthly revenues that have been adjusted to reflect the extension from April 2020 to July 2020 filing date.



FY 2021 and 2022 General Funds Expenditures Summary



Holding the line on spending while paying down pandemic related debt

- ✓ Proposed FY 22 General Funds operating expenditures total \$30.8 billion, a \$43 million increase to FY 21 preliminary results.
- ✓ The proposed budget reflects full payment of the certified FY 22 pension contribution.
- ✓ Total FY 22 General Funds expenditures are \$42.3 billion, a \$868 million (2.0%) decrease from FY 21 preliminary results.
- ✓ Reduction in the FY22 general funds appropriation for Healthcare line (Medicaid) of \$566 million is due primarily to:
 - ✓ lower than anticipated liabilities in FY20 and FY21
 - ✓ continuing receipt of the 6.2 percentage points enhanced federal match through end of CY21
- ✓ Estimated FY 22 budgetary surplus of \$88 million.

Expenditures (\$ in millions)	Preliminary Results FY 2021 (as of 7/1/21)	Enacted Budget FY 2022	Dollar Change	Percent Change
EXPENDITURES				
1. Education	10,870	11,233	363	3.3%
PreK-12 Education	8,897	9,240	343	3.9%
Higher Education	1,973	1,993	20	1.0%
2. Economic Development	81	95	14	17.3%
3. Public Safety	1,915	1,937	22	1.1%
4. Human Services	7,177	7,563	386	5.4%
5. Healthcare	8,179	7,613	(566)	(6.9%)
6. Environment and Culture	61	64	3	4.9%
7. Government Services	3,786	3,478	(308)	(8.1%)
Group Health Insurance	2,022	1,851	(171)	(8.5%)
Chicago Teachers' Pension System	267	277	10	3.7%
Government Services	1,497	1,349	(148)	(9.9%)
8. Unspent Appropriations (FY21 amount finalized Sept 30th)	(1,314)	(1,189)	125	(9.5%)
Total Operating Budget	30,755	30,794	39	0.1%
EXPENDITURES: PENSIONS				
K-12 Education Pensions	5,141	5,694	553	10.8%
State Universities' Pensions	1,781	1,883	102	5.7%
State Employees' Pensions	1,702	1,786	84	4.9%
Total Pension Costs	8,624	9,363	739	8.6%
EXPENDITURES: TRANSFERS OUT OF GENERAL FUNDS				
Statutory Transfers Out	517	368	(149)	(28.8%)
Debt Service	1,529	1,781	252	16.5%
Interfund Borrowing Repayment	140	-	(140)	(100.0%)
Treasurer's Investment Borrowing Repayment ¹	405	-	(405)	(100.0%)
COVID-Related Debt Repayment (June 2020 MLF) ²	1,209	-	(1,209)	(100.0%)
Total Transfers Out	3,800	2,149	(1,651)	(43.4%)
TOTAL EXPENDITURES	43,179	42,306	(873)	(2.0%)
COVID-Related Debt Paydown (December 2020 MLF) ²	1,000	1,045	45	4.5%
Interfund Borrowing Paydown	-	928	928	-
TOTAL EXPENDITURES WITH DEBT PAYDOWN	44,179	44,279	100	0.2%

¹ Treasurer's Investment Borrowing, authorized by PA 100-1107, allows the State Treasurer to provide funds to assist with the state's accounts payable. Principal of funds invested and repaid within a fiscal year are not included here.

² GOMB executed two separate borrowing transactions through the Federal Municipal Liquidity Facility program. The first borrowing was executed in June of 2020, totaling \$1.2 billion. Repayment of this borrowing was completed in FY2021. The second borrowing was executed in December 2020, totaling \$2.0 billion. Repayment of this borrowing is scheduled over the next three fiscal years, with \$690 million due in FY2022, \$713 million due in FY2023, and \$736 million due in FY2024. Currently reflected is the intention to pay off the December 2020 borrowing in full in FY2021 and FY2022.

Note: Totals may not add due to rounding

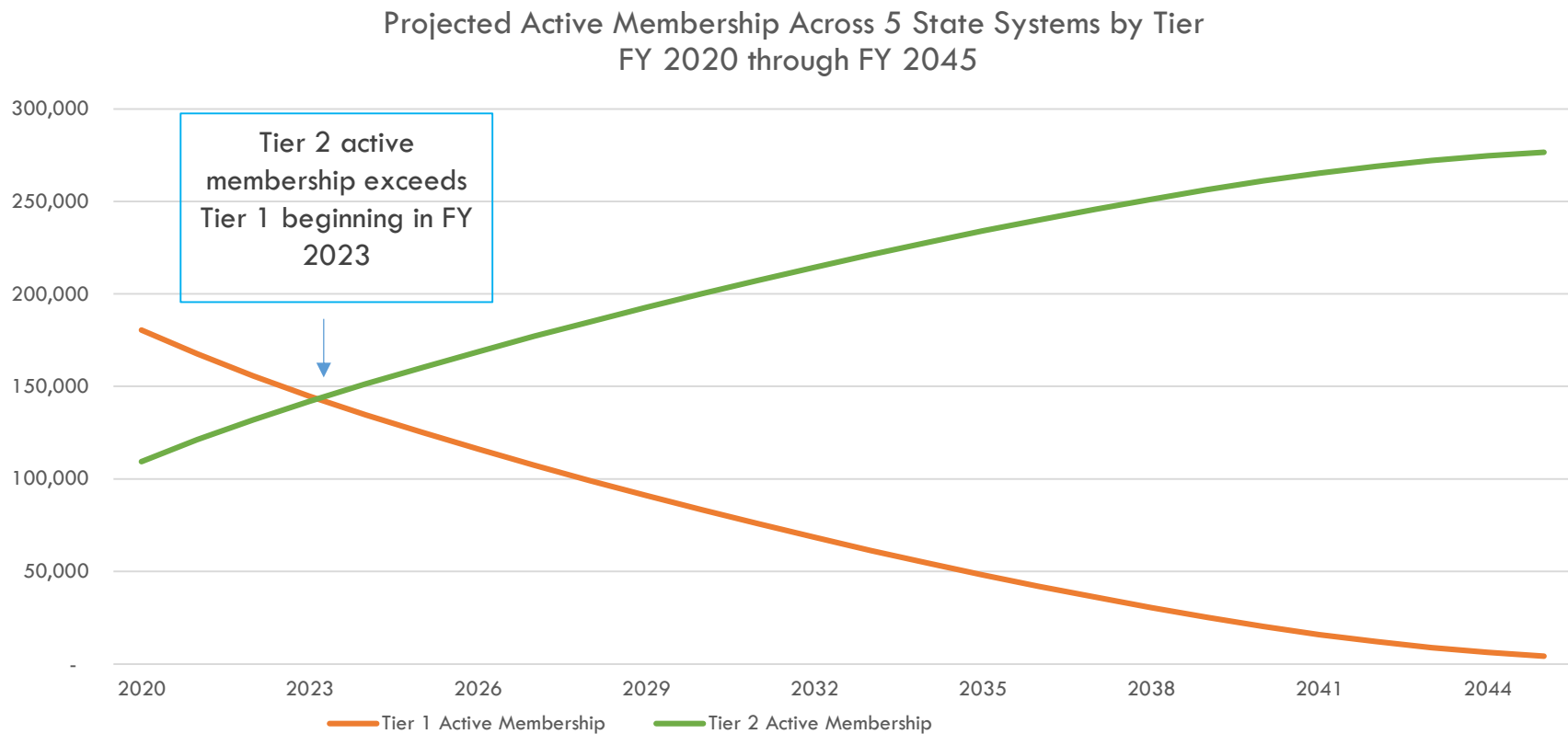
5. Pension Update



Tier 1 and Tier 2 active membership



Tier 2 active membership expected to overtake Tier 1 in FY23



Source: State System FY 2020 Actuarial Valuations

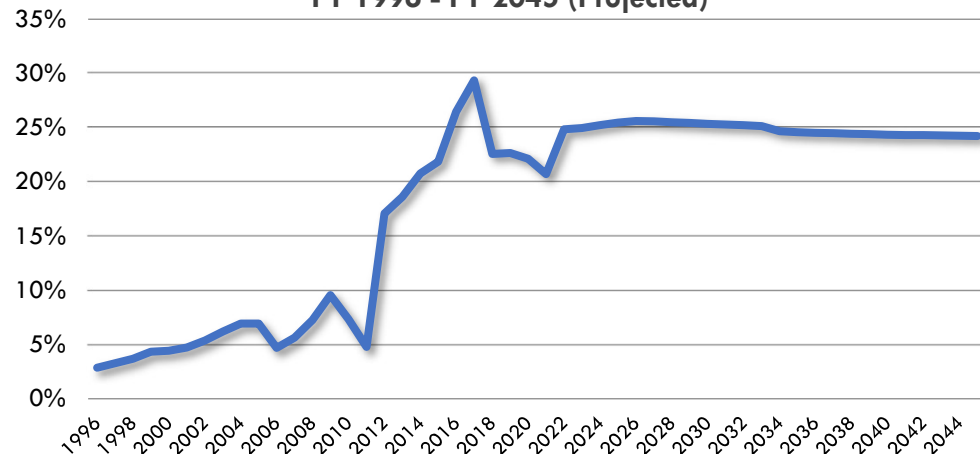
Funding Pension Obligations



2010s era escalating pension costs are projected to level off

- ✓ Illinois' current pension payment schedule follows the plan set forth in 1994, 27 years ago.
- ✓ The FY2022 budget fully funds the certified contribution of \$9.4 billion from the General Funds.
- ✓ Annual pension contributions have grown to approximately 25% of the state's General Funds budget.
 - ✓ However, the percentage share dedicated to pension contributions is expected to level out.
- ✓ The Governor continues to explore additional ways to manage our pension commitments:
 - ✓ Pension buyout option programs were extended an additional 3 years in the 2019 legislative session.
 - ✓ Following the passage of legislation to consolidate investments of 649 suburban and downstate pension funds, opportunities for further consolidation and for asset transfers for the benefit of the systems continue to be considered.

**GF Pension Cost as a Percentage of Total
General Funds Revenues
Current Law;
FY 1996 - FY 2045 (Projected)**



Source: Illinois State Retirement Systems report (Forthcoming), CGFA 2021

Note: General Funds portion of the regular pension appropriation plus pension bond debt service is shown here. The debt service payments on the FY 2003 Pension Bonds and FY 2010 & FY 2011 Pension Notes as well as the FY 2019 & FY 2020 Pension Obligation Acceleration Bonds for the buyout programs are shown here.

Pension Investment Rate of Return Assumptions



Strong FY 2021 investment results will improve funding status

- The weighted average of the assumed investment rate of return of Illinois' 5 state backed pension plans has decreased significantly since 2001.
- Currently, the systems' weighted average return assumption 6.84%¹ is well below the national median for public pension plans (7.23%), see bottom right.
- Investment performance for FY June 30, 2021 for SURS was 23.75%, SERS, JRS, and GARS was 25.8% and TRS was 25.5%.

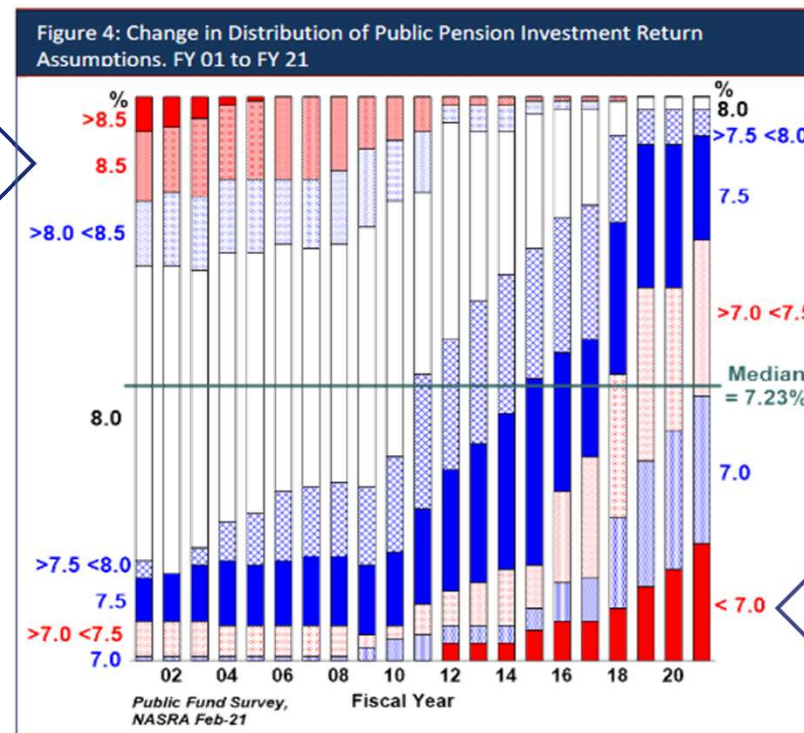
Investment Rate of Return Assumptions Used by the Retirement Systems

	2001	2020/2021
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 FY2020 fiduciary net position

2001
Illinois Plans

Change in Distribution of Public Pension Investment Return Assumptions, FY 2001-2021



2020 Illinois
Plans¹

Source: Retirement Systems, System Actuarial Reports, Fiscal Year 2020; NASRA Issue Brief: Public Pension Plan Investment Return Assumptions, February 2021

¹ Estimate using FY20 net assets for each system.

6. Investing in Our Future



Prioritizing Investing In Economic Development



Creating jobs and investing in small businesses

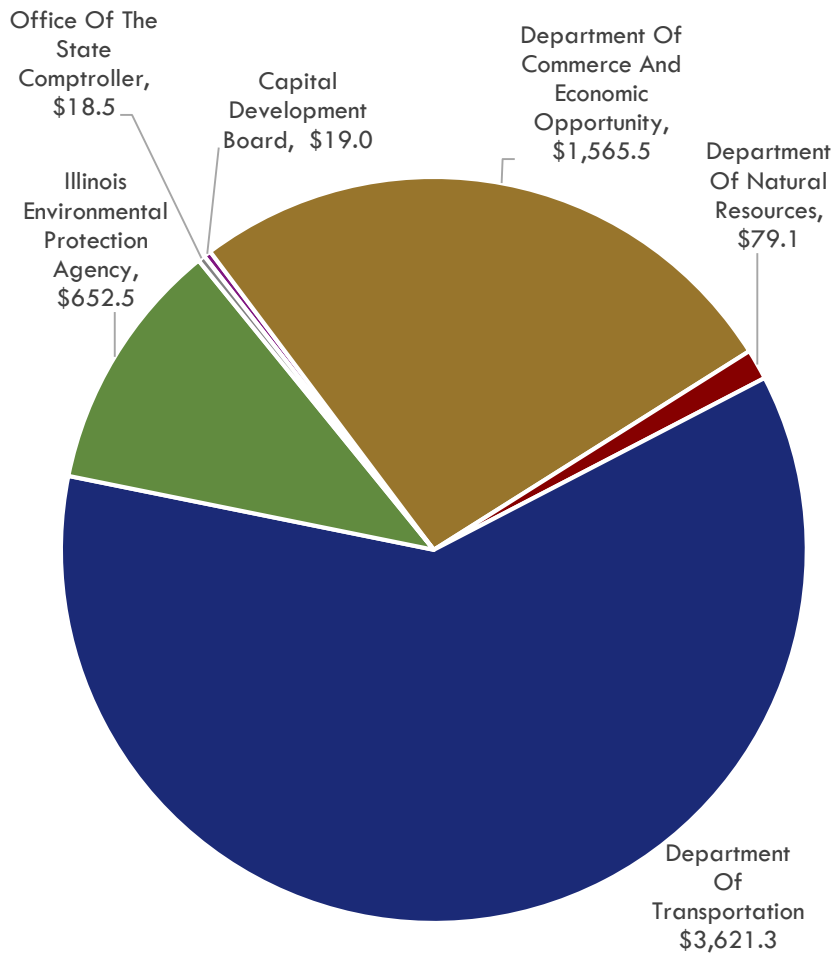
- ✓ Prioritized job creation, with pre-pandemic statewide unemployment reaching historic lows and with every region in the state creating jobs simultaneously for the first time in 20 years.
- ✓ Achieved bipartisan support for and is managing the execution of the \$45 billion Rebuild IL Capital program, the state's largest-ever infrastructure program which includes improvements to the state's roads, bridges, public buildings, colleges, waterways, ports, parks, public transportation.
- ✓ Introduced 5-year economic plan for Illinois to reinvigorate state's economy by focusing on the nation's fastest growing industries.
- ✓ Secured \$1 billion investment in research centers of excellence focused on Illinois' industries, located at the newly created Discovery Partners Institute.
- ✓ Dedicated more than \$400 million to Connect Illinois, the largest high speed internet expansion effort in Illinois history.
- ✓ Attracted \$5 billion in new data centers to Illinois with targeted tax incentive, creating new high paying tech and construction jobs.
- ✓ Created a business apprenticeship tax credit, encouraging job growth and workforce development.
- ✓ Extended the film industry tax credit, creating and supporting thousands of entertainment industry jobs.
- ✓ Strengthened Illinois Works Jobs Program by investing \$25 million for community-based organizations to recruit diverse apprentices to work on state's Rebuild Illinois capital program.
- ✓ Created incentives for job creation on new construction and renovations in underserved communities.
- ✓ Established annual reporting on corporate board diversity for public companies to encourage greater representation.
- ✓ Invested \$15 million in two downstate Manufacturing Training Academies: an electric vehicle jobs partnership with Rivian at Heartland Community College in Normal and an Advanced Manufacturing Center at Southwestern Illinois College.
- ✓ Positioned Illinois to be an electric vehicle technology hub in the Midwest by providing companies with competitive incentives.

FY 22 Enacted Capital Budget

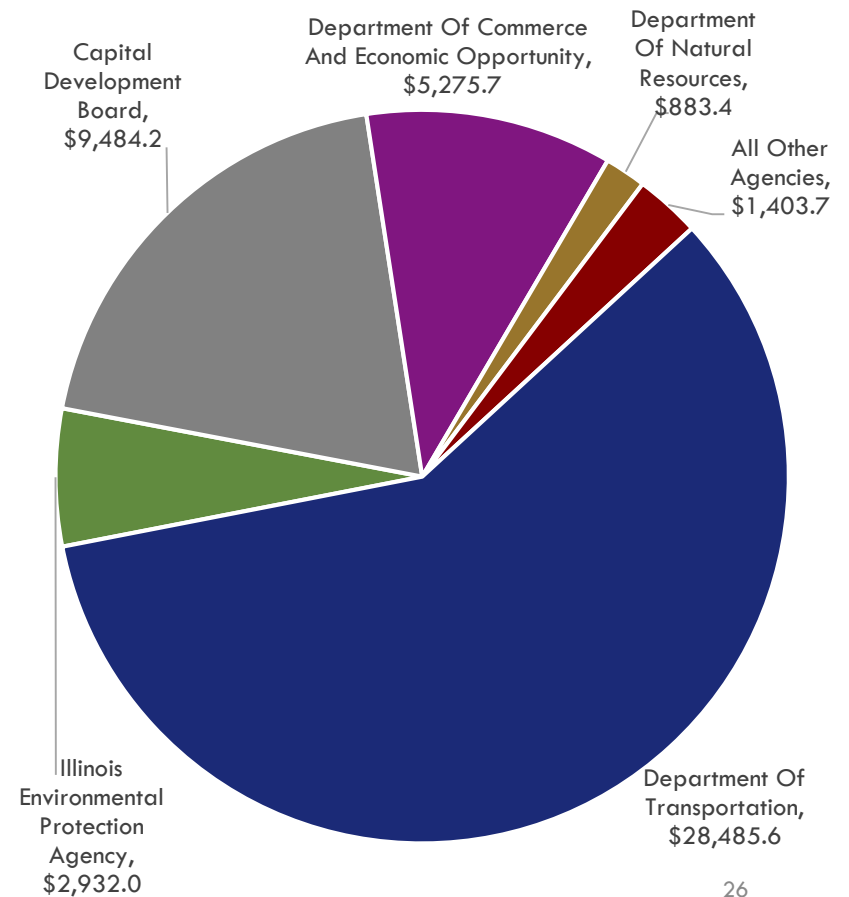


Creating jobs and investing in Illinois' infrastructure

\$5.95B in FY2022 New Capital Appropriations
(\$ millions)



\$48.45B in FY2022 Total Capital Appropriations
(new and reappropriated)
(\$ millions)



Continuing to Invest in Infrastructure Through Rebuild IL



Key investments will continue throughout the six-year plan

Examples of progress under the Rebuild Illinois Plan include:

- ✓ Total Capital spend July 1, 2019 – June 30, 2021 (24 months): \$9.343 billion.

Higher Education Infrastructure

- ✓ \$103.5 million has been released for infrastructure improvements at 15 community colleges, leveraging \$34.5 million in local commitments for a total investment of over \$138 million in communities across the state.
- ✓ Planning and design are underway for large university projects statewide like the \$89 million Performing Arts Center at Western Illinois University and a \$79 million new education building at Northeastern Illinois University.
- ✓ Rebuild Illinois includes a total of \$200 million to support quantum science infrastructure in partnership with U of I, the University of Chicago and the Chicago Quantum Exchange (CQE). The investments provided by Rebuild Illinois will support state-of-the-art quantum research infrastructure and facilities in Hyde Park in Chicago and Urbana-Champaign.

State Facilities

- ✓ \$21.1 million is supporting renovation and new construction at the former Lincoln Developmental center in Logan County, creating a new Illinois Youth Center that is centrally located in the state as part of the 21st Century Transformation Model, a new community-based plan that will transform the state's juvenile justice system over the next four years.
- ✓ Rebuild Illinois provides \$60 million for DJJ transformation projects.

Connect Illinois

- ✓ \$50 million in Connect Illinois grants have been awarded to support 28 projects across the state. The \$50 million in state grants will be matched by \$65 million in nonstate funding for a total of \$115 million, with plans to expand access for more than 26,000 homes, businesses, farms, and community institutions across Illinois.
- ✓ A second \$50 million round of grant funding for broadband expansion was announced in October 2020 and will be awarded in the summer of 2021.

Roads and Bridges

- ✓ The Illinois Department of Transportation (IDOT) completed more than 600 highway projects, ranging from minor resurfacings to interstate and bridge reconstructions, in the first year of Rebuild Illinois. IDOT made approximately \$5.2 billion in improvements to 3,020 miles of highway and 270 bridges, as well as 428 additional safety improvements since the passage of Rebuild Illinois.

Total Capital Expenditures Since the Passage of Rebuild Illinois by Category (\$ millions)

Broadband Deployment	\$ 18
Economic and Community Development	124
Education	130
Environment /Conservation	1,227
Healthcare and Human Services	74
State Facilities	640
Transportation	7,130
Grand Total	\$ 9,343

7. Plan of Finance



Issuance Terms and Amortization Schedule



Financing Overview	
Use of Proceeds	The Bonds are being issued to fund accelerated pension benefit payments, to finance capital projects under the State's capital program and to pay costs of issuance of the 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*	December 1 and June 1, commencing June 1, 2022
Mode	Fixed Rate Bonds
Ratings	Receive November 3 rd
Sale Date*	November 16 th
Closing*	December 1 st

Maturity	Pension Acceleration & Capital
	Series of December 2021
2022	20,000,000
2023	20,000,000
2024	20,000,000
2025	20,000,000
2026	20,000,000
2027	20,000,000
2028	20,000,000
2029	20,000,000
2030	20,000,000
2031	20,000,000
2032	20,000,000
2033	20,000,000
2034	20,000,000
2035	20,000,000
2036	20,000,000
2037	20,000,000
2038	20,000,000
2039	20,000,000
2040	20,000,000
2041	20,000,000
Total	\$400,000,000

8. Timeline and Contacts



Tentative Transaction Timeline and Contacts



Date*	Event*
November 3 rd	Receive Rating
November 16 th	Sale Date
December 1 st	Closing

*Preliminary, subject to change

November 2021						
S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28						

December 2021						
S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

State of Illinois

Governor's Office of Management and Budget

Paul Chatalas

Director of Capital Markets

Paul.Chatalas@illinois.gov

(312) 814-0023

Municipal Advisor

Public Resources Advisory Group

Tom Huestis

Senior Managing Director

thuestis@pragadvisors.com

(610) 565-5990

Christine Fay

Senior Managing Director

cfay@pragadvisors.com

(610) 565-5990

Jessica Donnelly

Senior Managing Director

jdonnelly@pragadvisors.com

(610) 565-5990

Appendix A. Additional Financial Detail Tables



General Funds Accounts Payable Estimate



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

Historical General Funds Accounts Payable Estimate
(Budget Basis - Official Statement Table 5)

	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 ⁴	FY 2021 Est ⁵
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	1,916
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
Net Transfers Payable (June 30)						185	940	989	1,109	581	844	776	318	797	701	553	827	150
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	1,231	1,200
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	7,513	4,978
Section 25 Liabilities - Other State Funds	390	750	433	1,460	220	321	270	237	850	489	429	316	956	162	214	224	208	200

Source: Illinois Office of the Comptroller. Section 25 Liabilities are reported in the CAFR. Budget Basis Accounts Payable as reported on page 11 of the TBFR. FY21 #s are GOMB estimates.

¹ This amount includes General Funds Lapse Period Transactions as reported in the TBFR. Lapse Period Warrants plus 6/30 Vouchers and Transfers Payable.

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. FY2020 and FY2021 numbers are estimates.

³ FY2016 - FY2018 were understated due to the lack of appropriations of certain liabilities due to the impasse.

⁴ Fiscal Year 2020 Section 25 liability amounts are preliminary and subject to change. Final numbers will be released with the State's Fiscal Year 2020 CAFR.

⁵ FY21 Est in chart shows \$1.7B in vouchers payable and \$150M in Net Transfers (IOC TBFR estimates) – but approximately \$1.5B of vouchers payable are vouchered transfers, not commercial vouchers.

General Fund Monthly Revenues



Top three General Fund revenues have rebounded to over 110% of Pre-pandemic levels

2018-2019 FY		July	August	September	October	November	December	January	February	March	April	May	June	Total
Individual Income Taxes ¹		1,243	1,227	1,553	1,372	1,162	1,342	2,010	1,224	1,816	3,471	1,253	1,562	19,235
Corporate Income Taxes		73	57	400	66	33	357	82	37	192	668	60	364	2,389
Sales Tax		711	733	713	691	732	768	720	540	632	690	745	735	8,410
All Taxes		2,027	2,017	2,666	2,129	1,927	2,467	2,812	1,801	2,640	4,829	2,058	2,661	30,034
2019- 2020 FY		July	August	September	October	November	December	January	February	March	April	May	June	Total
Individual Income Taxes ²		1,332	1,207	1,723	1,371	1,262	1,492	1,910	1,439	1,980	2,793	1,250	1,712	19,471
Corporate Income Taxes		75	41	451	78	103	383	68	34	167	591	58	331	2,380
Sales Tax		764	759	713	725	749	798	736	596	647	544	564	661	8,256
All Taxes		2,171	2,007	2,887	2,174	2,114	2,673	2,714	2,069	2,794	3,928	1,872	2,704	30,107
2020-2021 FY		July	August	September	October	November	December	January	February	March	April	May	June	Total
Individual Income Taxes ^{2,3}		1,339	1,453	1,676	1,379	1,275	1,618	2,096	1,472	2,176	2,326	2,791	1,924	21,525
Corporate Income Taxes		23	70	477	106	46	436	124	61	248	905	136	631	3,263
Sales Tax		734	767	745	769	739	852	766	642	731	841	867	914	9,367
All Taxes		2,096	2,290	2,898	2,254	2,060	2,906	2,986	2,175	3,155	4,072	3,794	3,469	34,155
Cumulative														
Individual Income Taxes	2019	1,243	2,470	4,023	5,395	6,557	7,899	9,909	11,133	12,949	16,420	17,673	19,235	
	2020	1,332	2,539	4,262	5,633	6,895	8,387	10,297	11,736	13,716	16,509	17,759	19,471	
	2021	1,339	2,792	4,468	5,847	7,122	8,740	10,836	12,308	14,484	16,810	19,601	21,525	
Corporate Income Taxes	2019	73	130	530	596	629	986	1,068	1,105	1,297	1,965	2,025	2,389	
	2020	75	116	567	645	748	1,131	1,199	1,233	1,400	1,991	2,049	2,380	
	2021	23	93	570	676	722	1,158	1,282	1,343	1,591	2,496	2,632	3,263	
Sales Tax	2019	711	1,444	2,157	2,848	3,580	4,348	5,068	5,608	6,240	6,930	7,675	8,410	
	2020	764	1,523	2,236	2,961	3,710	4,508	5,244	5,840	6,487	7,031	7,595	8,256	
	2021	734	1,501	2,246	3,015	3,754	4,606	5,372	6,014	6,745	7,586	8,453	9,367	
All Taxes	2019	2,027	4,044	6,710	8,839	10,766	13,233	16,045	17,846	20,486	25,315	27,373	30,034	
	2020	2,171	4,178	7,065	9,239	11,353	14,026	16,740	18,809	21,603	25,531	27,403	30,107	
	2021	2,096	4,386	7,284	9,538	11,598	14,504	17,490	19,665	22,820	26,892	30,686	34,155	
FY 2021 Revenues As % of Pre-Pandemic Revenues ⁴		July	August	September	October	November	December	January	February	March	April	May	June	Average
Individual Income Taxes		101%	120%	97%	101%	101%	108%	110%	102%	120%	67%	223%	123%	114%
Corporate Income Taxes		31%	171%	106%	136%	45%	114%	182%	179%	129%	135%	227%	173%	136%
Sales Tax		96%	101%	104%	106%	99%	107%	104%	108%	116%	122%	116%	124%	109%
All Taxes		97%	114%	100%	104%	97%	109%	110%	105%	120%	84%	184%	130%	112.9%
FY 2021 Revenues As % of Pre-Pandemic Revenues Weighted Based on FY 2019 Monthly Revenues as a % of Total ⁴														Total
Individual Income Taxes		6%	8%	8%	7%	6%	8%	11%	7%	11%	12%	15%	10%	109%
Corporate Income Taxes		1%	4%	18%	4%	1%	17%	6%	3%	10%	38%	6%	26%	134%
Sales Tax		8%	9%	9%	9%	9%	10%	9%	7%	9%	10%	10%	11%	109%
All Taxes		7%	8%	9%	7%	6%	9%	10%	6%	11%	14%	13%	12%	110.5%

¹April revenues reflect "April Surprise" due to tax changes.

²In 2020 the individual and corporate income tax filing date was extended from April 15 to July 15. The revenues have been adjusted to reflect a shift of \$1 billion of individual income tax and \$300 million in corporate income tax from July 2020 (FY 2021) back to April 2020 (FY 2020).

³In 2021 the individual income tax filing date was extended from April 15 to May 17. Since the extension did not pass fiscal year end the revenues have not been adjusted consistent with the change in deadline.

⁴For purposes of this calculation it was assumed that revenues started to be adversely impacted by the pandemic in March 2020 thus July 2020 to February 2021 revenues are compared to July 2019 to February 2020 revenues and March 2021 to June 2021 revenues are compared to March 2019 to June 2019 revenues.

Gray shading represents monthly revenues that have been adjusted to reflect the tax extension from April 2020 to July 2020 filing date.

Appendix B. Illinois' Strong and Diverse Economy



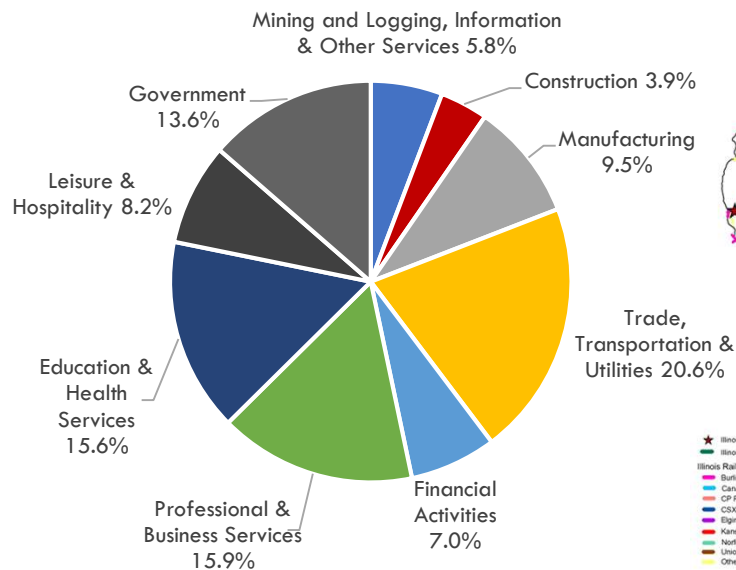
Illinois' Strong Economic Foundation



The strength of the State's economic foundation has been evident through the pandemic.

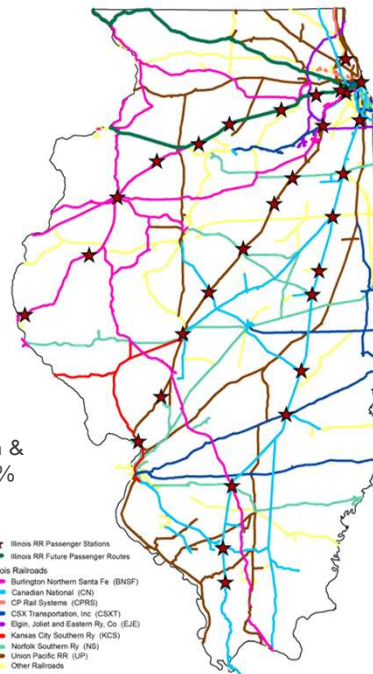
Strong and Diverse Economy

- Broad employment base with no industry accounting for more than 21%¹
- Illinois is well-positioned for long-term stability through economic cycles
- State's deep and diversified economy is a major attraction for workers and recent graduates across the nation
- Illinois is home to 38 Fortune 500 companies⁵



Expansive Transportation and Logistics Network

- The State is home to the 4th and 26th busiest U.S. airports in O'Hare and Midway²
- Illinois is the only state where all 7 class I railroads in the United States operate³



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%⁴



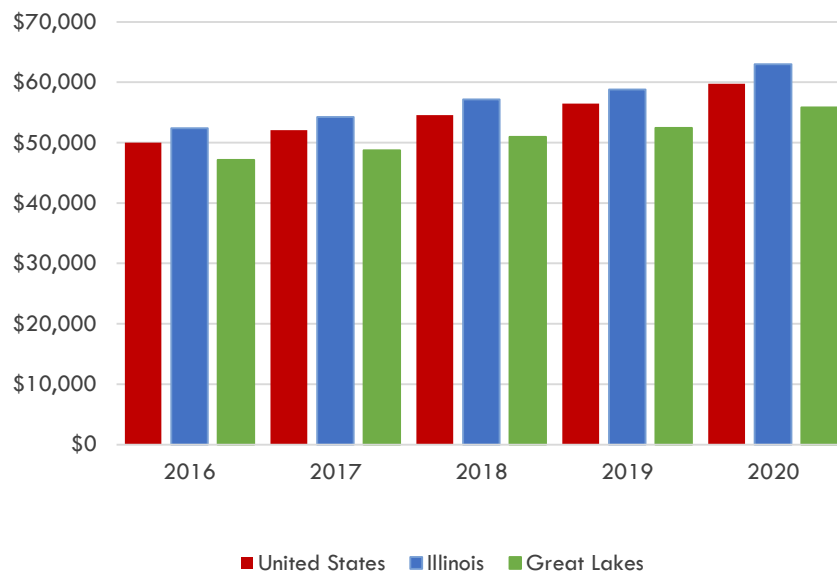
1. Bureau of Labor Statistics, preliminary, as of May 2021 2. FAA, Commercial Service (Rank Order) based on Calendar Year 2020 data as of June 8, 2021 3. IDOT, <http://idot.illinois.gov/transportation-system/Network-Overview/rail-system/index> 4. 2019 American Community Survey 1 year estimates (most recent data available), those with a bachelor's degree or higher as a share of population 25 years or older. 5. Fortune 500 rankings for 2021

Illinois' Robust Economic Indicators

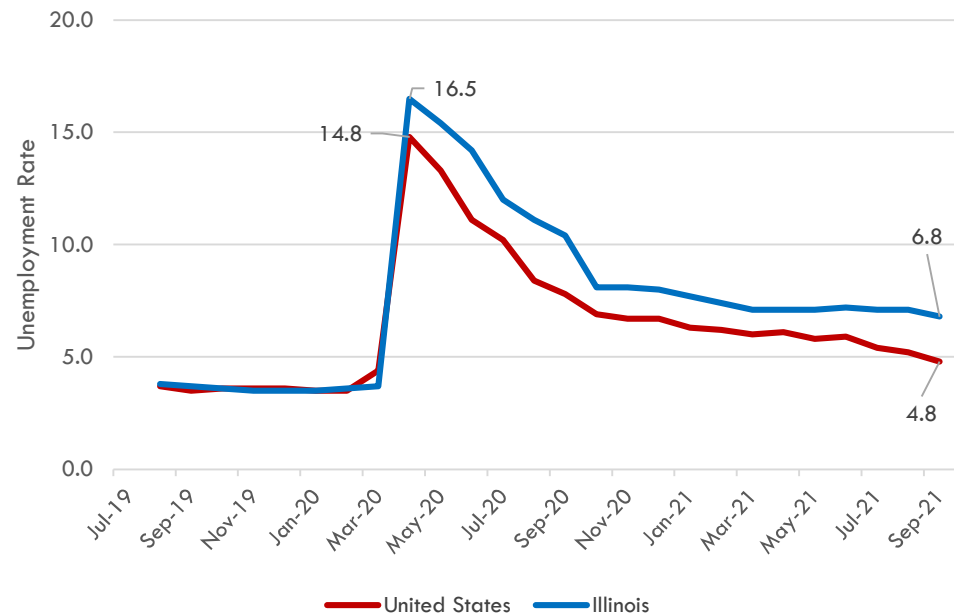


The State's recovery in economic indicators demonstrates the State's resiliency.

Per Capita Personal Income Surpasses National and Regional Measures ^{1,3}



Unemployment Fell Below 4% pre-COVID, & Increased in Line with the Nation ²



- ✓ Since April 2020 peak, Illinois' unemployment rate has fallen more than nine percentage points to 6.8%²
- ✓ Illinois' per capita income is ranked 1st among the Great Lakes region³ and 3rd among the 10 most populous states¹

1: Bureau of Economic Analysis as of October 27, 2021. 2: Bureau of Labor Statistics, seasonally adjusted, September 2021 Illinois unemployment is preliminary 3: The Great Lakes region includes Illinois, Indiana, Michigan, Ohio and Wisconsin. The measures here reported are the averages of those states' measures.

Illinois' Debt Burden Measures



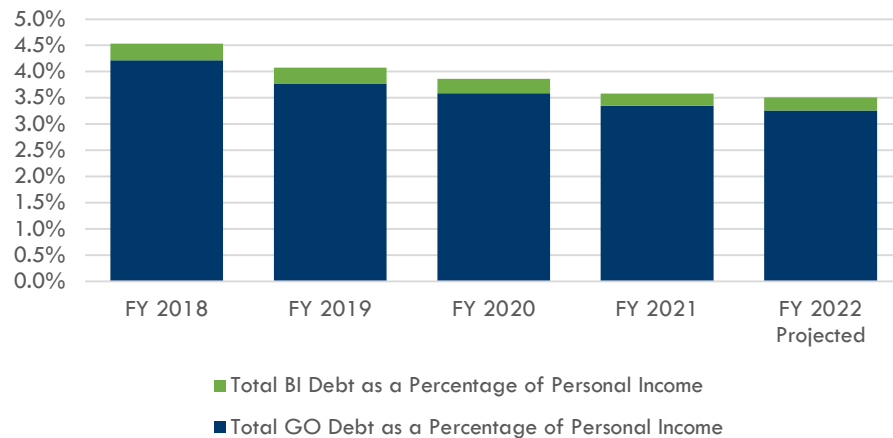
Illinois has a conservative debt profile with strong legal protections.

Debt Service for BI and Long-Term GO as a Percentage of Appropriations¹

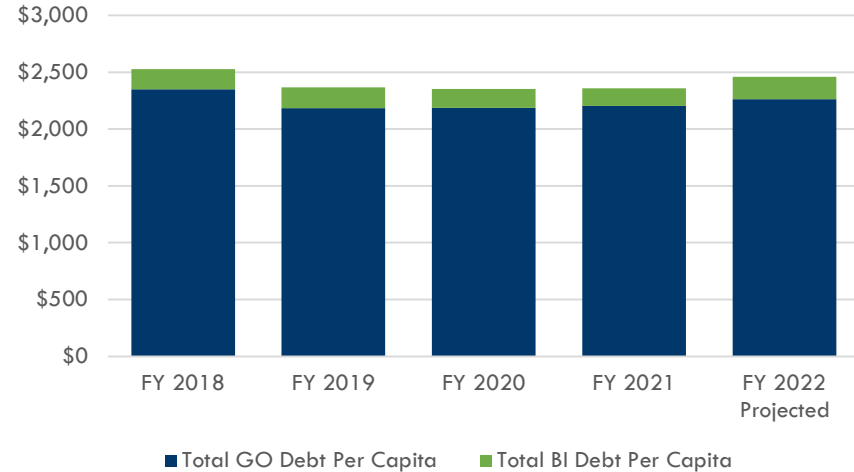
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022 Projected
Total Appropriations (in millions)	\$42,361	\$43,557	\$47,324	\$49,904	\$51,226
Total BI Debt Service as a Percentage of Appropriations	0.8%	0.7%	0.6%	0.5%	0.6%
Total GO Debt Service as a Percentage of Appropriations	8.2%	9.3%	6.6%	6.4%	6.9%

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 the Advancement of Education, the Commitment to Human Services Fund and the Budget Stabilization Fund. Appropriations in this table have been restated to include all the funds currently included in the definition of General Funds.

Outstanding Long-Term Debt as a Percentage of Total State Personal Income²



Outstanding Long-Term Debt per Capita²



² GO Debt includes only debt issued under the General Obligation Bond Act and not debt issued under the Short-Term Borrowing Act or CURE Borrowing Act.

Note: Estimated and projected personal income numbers come from IHS Markit's projections and actuals from the Bureau of Economic Analysis.