

# State of Illinois



\$700,000,000\*

General Obligation Bonds,

\$175,000,000 Taxable Series of October 2022A

\$245,000,000 Series of October 2022B

\$280,000,000 Series of October 2022C

## *Investor Presentation*



*\*Preliminary, subject to change*

**September 2022**

# Disclaimer



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# Presentation Participants



**Andy Manar**  
*Deputy Governor*

**Alexis Sturm**  
*Director of GOMB*

**Paul Chatalas**  
*Director of Capital Markets*

## ***Andy Manar, Deputy Governor***

Mr. Manar joined the Governor's Office in January 2021 and took over the role of Deputy Governor for Budget and Economy in the summer of that year. He has over 20 years of experience in municipal, county and state government in Illinois, having served as Mayor of Bunker Hill, Chairman of Macoupin County Board, and State Senator for the 48th District where he chaired the Senate Appropriations Committee. As Deputy Governor, Mr. Manar has prioritized improving the state's fiscal health and proposing and implementing a balanced budget. He received his Bachelor of History and teaching license from Southern Illinois University Edwardsville.

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

Alexis Sturm has served as Director of the Governor's Office of Management and Budget (GOMB) for Illinois since 2019. Ms. Sturm has 25 years of experience in Illinois government in the areas of budgeting, fiscal policy, debt management and administration. Previous roles include Director of Cash Management and Director of Fiscal Reporting for the Comptroller and as Chief of Staff at GOMB and other senior roles in debt management, revenue and economic analysis. She began her state government career as a Dunn Fellow intern in 1997. She grew up in Carbondale, IL, received her Bachelor of Arts in Economics from Miami University (Ohio) and a Master of Arts in Economics from Washington University in St. Louis.

## ***Paul Chatalas, Director of Capital Markets***

Paul Chatalas has led the State's bond efforts through the Governor's Office of Management and Budget since 2019, where he oversees a \$30 billion bond portfolio. He has nearly 30 years of combined public policy and public finance experience, with the prior 15 years in public finance with investment banks in Chicago and New York. Paul spent several years working on Capitol Hill for members of the U.S. House and Senate, including members of the Budget and Appropriations Committees, and served as Executive Director of an NGO that focuses on US/UN relations. He holds a Master of Public Administration from Columbia University's School of International and Public Affairs and a B.A. from the University of Oregon. Paul lives in Chicago and is a Founder's Council Advisor of the Field Museum, where he sits ex officio on the Exhibitions Committee of the Board of Trustees.



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# 1. Executive Summary



# Delivering Fiscal Responsibility



*Strong operating performance plus fiscal prudence position the State well for the future*

## **FY 2022/2023 Budget Accomplishments**

- **Record Budget Stabilization Funding level**
  - ✓ Current balance of \$1.04 billion
  - ✓ **Permanent dedicated revenue streams created**
- Accelerated debt paydown of \$5.3 billion across FY 2022/FY 2023
- Addressed the bill backlog in FY 2022
- State prudently taking advantage of economic conditions to fund reserves
- Continued economic recovery resulting in a preliminary FY 2022 revenue increase of 12% over actual FY 2021

## **Commitment to Pension Obligations**

- FY 2023 budget fully funds the certified contribution of \$9.63 billion from General Funds
- \$500 million of additional pension payments above certified amount across FY 2022/2023
- Conservative return assumption is below US median
- Committed to Statutory Funding Plan
  - ✓ 27 years into 50 year plan

## **Strong Fiscal and Economic Foundation**

- Diverse economy supports improving economic trends
- Illinois' population estimated to have grown in the last decade
  - ✓ Census Bureau's Post Enumeration Survey (PES) report issued on 5/8/22 found that Illinois' population was significantly undercounted by 2020 Census (by ~250,000 people)
- World class infrastructure with America's 5th largest GDP
- Illinois ranks 3rd among the 10 most populous states by per capita personal income and 11th amongst all states
- Illinois boasts the world's 18th largest economy according to the World Bank
- Seasonally adjusted unemployment rate reached its lowest point since the pandemic began coming in at 4.4% in July

## **Investing in Illinois' Future**

- FY 2023 budget increases investments in education, public safety, health and welfare of residents
- FY 2023 budget provides total capital appropriations (new and reappropriated) of \$48.0 billion

## 2. Financial Update



# Fiscal Responsibility Results



## *Paying down debt in advance while planning for rainy days*

### Across FY 2022 and FY 2023 - \$5.3 billion in Debt Paydown

- ✓ All COVID-related MLF borrowing repaid
  - ✓ All interfund borrowing repaid
- ✓ \$500 million contributed to the Pension Stabilization Fund
- ✓ Over \$2.5 billion dedicated to accounts payable reduction
- ✓ Eliminating the hold cycle on group health insurance claims for the first time since 2007 with \$898 million supplemental
- ✓ **PLUS over \$1 billion dedicated to replenishing Budget Stabilization Fund**

#### Restoring Illinois' Fiscal House

Debt Paydown  
(\$ in millions)

#### **FY 2022:**

Early MLF borrowing repayment	\$1,052
Early Interfund borrowing repayment	933
Unfunded College Illinois! liabilities	230
Additional Pension Contribution	300
Debt Transparency Act Accounts Payable Reduction	2,483

#### **FY 2023:**

Additional Pension Contribution	200
Est Accounts Payable Reduction	124

<b>Total Debt Paydown</b>	<b>\$5,322</b>
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# State Backlog Is “Accounts Payable”

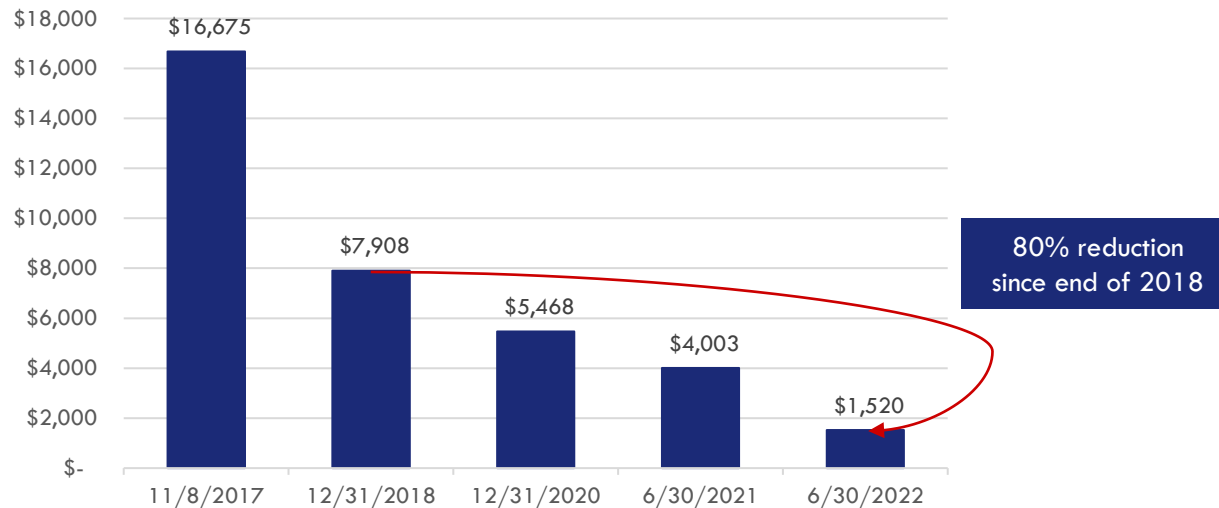


## *Accounts payable reaches new lows*

**End of FY 2022 accounts payable estimate totals \$1.52 billion, a reduction of \$15.155 billion, a 90% reduction since the end of the Budget Impasse**

- Accounts Payable primarily include bills under 30 days and transfers to other State accounts
  - \$407 million (27%) are estimated bills at agencies and \$1.031 billion are transfers to other state funds
  - On average, less than half of what the State spends in a month
- End of FY 2023 Accounts Payable expected to be close to end of FY 2022 level

### General Funds Accounts Payable



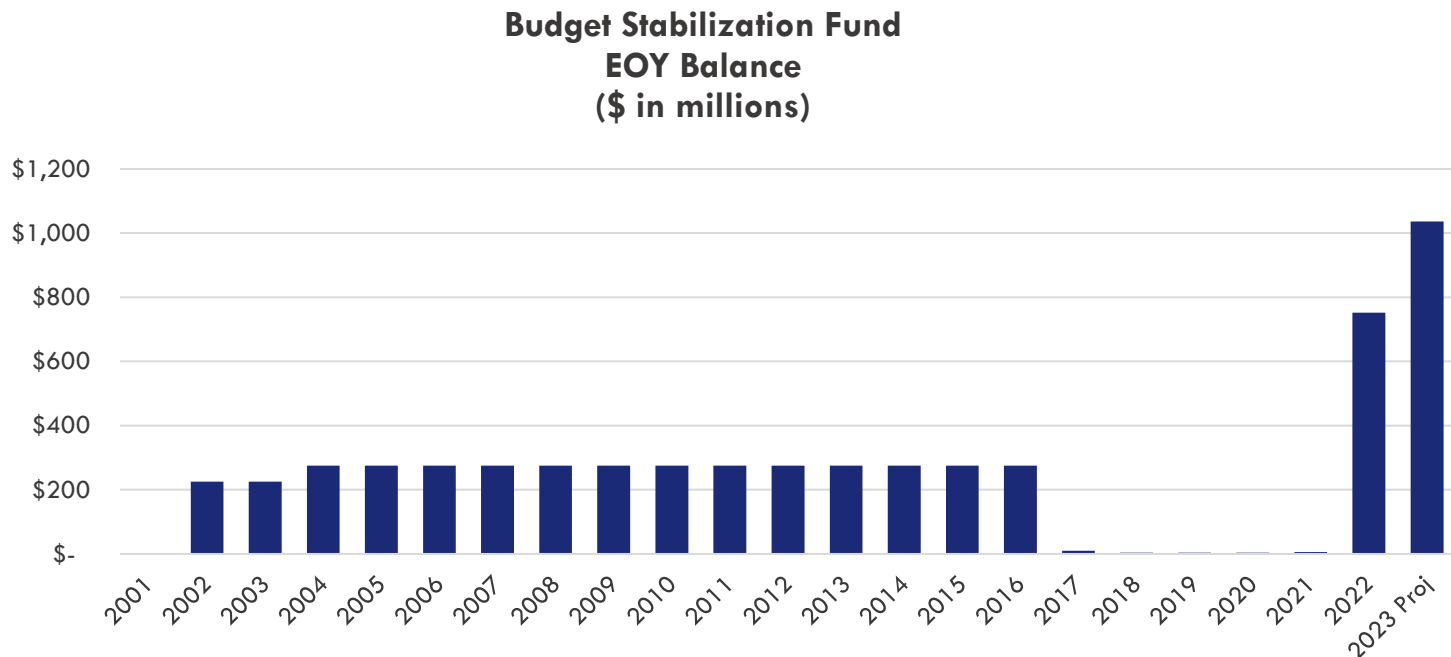
Source: Illinois Office of the Comptroller, Debt Transparency Act reports

# Restoring the Budget Stabilization Fund



*Committed to a new era of fiscal responsibility by planning for rainy days*

- Illinois allocated a total of \$1 billion across FY 2022 and FY 2023 to replenish the Budget Stabilization Fund -- the first deposits in 18 years
  - Budget Stabilization Fund, Illinois' 'rainy day' fund, was created in 2001
  - Balance was spent down during the impasse and held \$5.7 million at the end of FY 2021
- Enacted FY 2023 budget creates **permanent revenue streams** for the Budget Stabilization Fund by depositing an ongoing portion of cannabis revenues (10% or approximately \$30 million) PLUS monthly transfers of \$3.75 million beginning July 1, 2023
- **Record funding level** -- On August 31, 2022, the total balance of the Budget Stabilization Fund was \$1.038 billion



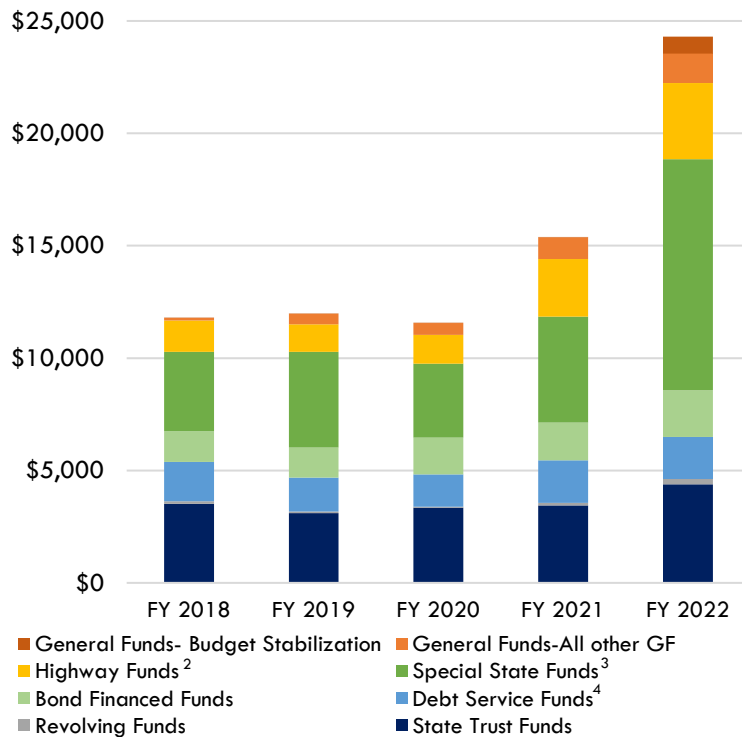
# Strong Cash Balances



## *Illinois' cash position continues to outperform previous years*

- The State's cash balance was \$24.3 billion for end of FY 2022

**Cash Balance by Fund Category<sup>1</sup>**  
As of End of Fiscal Years 2018 - 2022  
(\$ in millions)



**Cash Balance by Fund Category**  
As of End of Fiscal Years 2018 - 2022  
(\$ in millions)

Fund Category <sup>1</sup>	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
General Funds- Budget Stabilization	\$4	\$4	\$4	\$6	\$752
General Funds- All other GF	121	462	527	969	1,312
Highway Funds <sup>2</sup>	1,391	1,228	1,272	2,568	3,389
Special State Funds <sup>3</sup>	3,530	4,259	3,289	4,699	10,275
Bond Financed Funds	1,372	1,330	1,642	1,684	2,073
Debt Service Funds <sup>4</sup>	1,752	1,518	1,442	1,893	1,869
Revolving Funds	103	62	40	116	247
State Trust Funds	3,525	3,113	3,344	3,447	4,383
<b>June 30<sup>th</sup> Amounts</b>	<b>\$11,797</b>	<b>\$11,975</b>	<b>\$11,560</b>	<b>\$15,381</b>	<b>\$24,300</b>

Source: Illinois Office of the Comptroller and GOMB.

Note: Totals may not add due to rounding. Increase in cash balance is temporary and partly due to the timing of expenditures.

<sup>1</sup> Does not include Federal Trust Funds.

<sup>2</sup> 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.

<sup>3</sup> FY 2022 balances were higher than historical averages due, in part, to the timing of payments in FY 2023, including \$2.6 billion in the Income Tax Refund Fund, and are expected to revert closer to historical averages during the year.

<sup>4</sup> Includes the General Obligation Bond Retirement and Interest Fund.

### 3. Actual FY 2021, Preliminary FY 2022, and Enacted FY 2023 Budget Update



# FY 2021, FY 2022 & FY 2023 General Funds Revenues Summary



*Conservative revenue forecasting with a 7.8% decrease from FY 2022*

- FY 2022 final revenues reflect an increase of 12% above FY2021 revenues
- FY 2022 Individual income tax growth was even more remarkable given FY 2021 included two final payments deadlines
- FY 2022 performed nearly \$8 billion (almost 19%) above original estimates reflecting the State's strong economic recovery
- Enacted budget FY 2023 Base General Funds revenue estimate (April 2022 Est) total \$46.4 billion, a \$3.9 billion, or 7.8%, decrease from FY 2022 final revenues

General Funds Revenues (\$ in millions)	Actual FY 2021	Actual FY 2022	Enacted Budget FY 2023
<b>RESOURCES</b>			
<b>State Sources: Revenues</b>			
Net Individual Income Taxes	22,525	24,839	22,577
Net Corporate Income Taxes	3,563	5,407	4,608
Net Sales Taxes	9,368	10,234	10,080
Public Utility Taxes	752	750	720
All Other Sources	2,350	2,428	2,431
<b>Total State Sources: Revenues</b>	<b>38,558</b>	<b>43,658</b>	<b>40,416</b>
<b>State Sources: Transfers In</b>			
Lottery	777	820	665
Gaming	-	140	157
Adult-Use Cannabis	71	115	142
Other Transfers	702	1,017	1,049
<b>Total State Sources</b>	<b>40,108</b>	<b>45,750</b>	<b>42,429</b>
Federal Sources	4,744	4,583	4,000
<b>TOTAL RESOURCES</b>	<b>44,852</b>	<b>50,333</b>	<b>46,429</b>
ARPA Reimbursement for Essential Government Services	-	737	-
<b>TOTAL RESOURCES WITH COVID-RELATED FEDERAL RECEIPTS</b>	<b>46,850</b>	<b>51,070</b>	<b>46,429</b>

Note: Totals may not add due to rounding

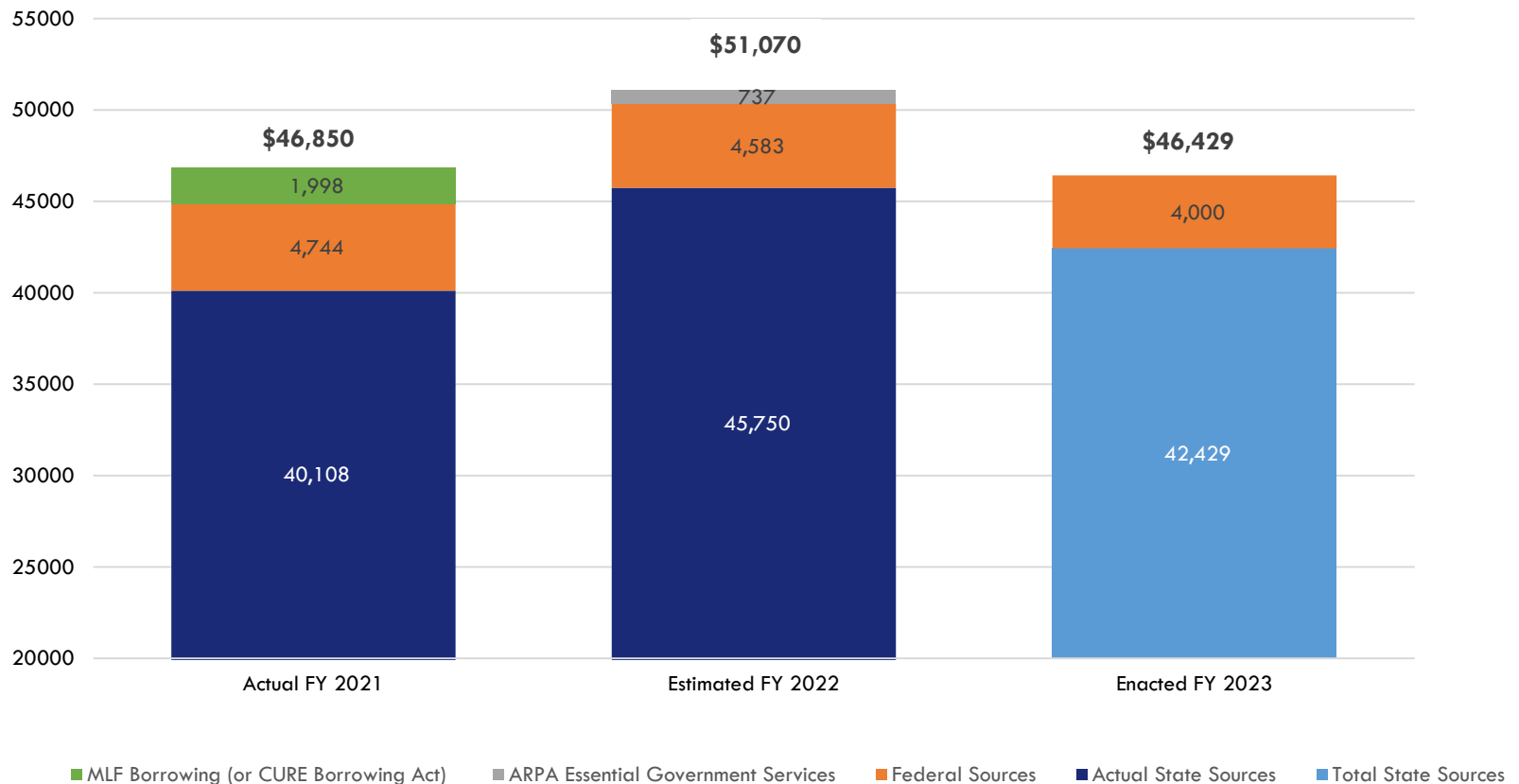
*Illinois will review revenue forecast after first quarter for the Illinois Economic and Fiscal Policy Report to be released in November 2022.*

# FY 2022 Outperformed Expectations



**12% Growth in base revenues from FY 2021 to FY 2022; Conservative projections for FY 2023**

Base Revenue Forecasts - General Funds  
(\$'s in millions)



# FY 2021, FY 2022 & FY 2023 General Funds Expenditures Summary



## Paying down debt and saving for a rainy day

### Preliminary FY 2022 Budgetary Results

- Surplus of \$2.739 billion after:
  - ✓ Contributing \$300 million to Pension Stabilization Fund
  - ✓ Setting aside over \$1.4 billion for taxpayer relief
  - ✓ Paying off MLF Borrowing/Interfund borrowing
  - ✓ Dedicating \$898M for delayed state employee health insurance bills
- \$720 million of FY 2022 surplus reserved for Rainy Day Fund

### FY23 Enacted Budget (April 2022 Est)

- Reflects full payment of the certified FY 2023 pension contribution, plus an additional contribution of \$200 million in FY 2023
- Budget includes \$312 million contribution to the Budget Stabilization Fund
- Estimated surplus to be dedicated to further accounts payable reduction of \$124 million

General Funds Expenditures (\$ in millions)	Actual FY 2021	Preliminary FY 2022 <sup>1</sup>	Enacted Budget FY 2023
<b>EXPENDITURES</b>			
1. Education	10,870	11,619	12,000
PreK-12 Education	8,897	9,327	9,758
Higher Education	1,973	2,292	2,242
2. Economic Development	81	179	255
3. Public Safety	1,915	2,036	2,228
4. Human Services	7,177	7,705	8,832
5. Healthcare	8,179	7,853	8,165
6. Environment and Culture	61	117	89
7. Government Services	3,786	4,577	3,644
Group Health Insurance	2,022	2,750	1,831
Chicago Teachers' Pension System	267	277	309
Government Services	1,497	1,550	1,504
8. Unspent Appropriations	(1,314)	(835)	(1,145)
<b>Total Operating Budget</b>	<b>30,757</b>	<b>33,251</b>	<b>34,069</b>
<b>EXPENDITURES: PENSIONS</b>			
K-12 Education Pensions	5,141	5,694	5,894
State Universities' Pensions	1,781	1,883	1,904
State Employees' Pensions	1,702	1,786	1,835
<b>Total Pension Costs</b>	<b>8,624</b>	<b>9,363</b>	<b>9,632</b>
<b>EXPENDITURES: TRANSFERS OUT OF GENERAL FUNDS</b>			
Statutory Transfers Out	517	722	387
Pension Stabilization Fund Contribution	-	300	200
Property Tax Rebate Checks to Individuals	-	470	50
Grocery Tax Replacement to Local Governments	-	325	75
Income Tax Rebate Checks to Individuals	-	685	-
Debt Service	1,529	1,230	1,580
Interfund Borrowing Repayment	140	933	-
Treasurer's Investment Borrowing Repayment	405	-	-
COVID-Related Debt Repayment (Municipal Liquidity Facility) <sup>2</sup>	2,209	1,052	-
<b>Total Transfers Out</b>	<b>4,800</b>	<b>5,717</b>	<b>2,292</b>
<b>TOTAL EXPENDITURES</b>	<b>44,181</b>	<b>48,331</b>	<b>45,994</b>
Comptroller Budgetary Basis Adjustment	278	-	-
<b>General Funds Surplus/(Deficit)</b>	<b>2,947</b>	<b>2,739</b>	<b>436</b>
<b>Budget Stabilization Fund Contribution</b>	<b>-</b>	<b>(720)</b>	<b>(312)</b>
<b>Bill Paydown - Adjusted General Funds Surplus/(Deficit)</b>	<b>2,947</b>	<b>2,019</b>	<b>124</b>

<sup>1</sup> Preliminary, subject to change

<sup>2</sup> Consists of repayment of the 2020-Short-Term Certificates and the 2020 CURE Borrowing Act Notes

Note: Totals may not add due to rounding

# FY 2023 Enacted Operating Budget



## *A balanced budget that builds on three years of progress*

The enacted \$46 billion FY 2023 budget continues on the path of economic and budgetary stability with further steps toward structural balance.

### **Balanced Budget Yields Improved Finances**

- Balances budget and directs estimated FY 2022 surplus toward debt repayment, pension funding and Budget Stabilization Fund
- Pays debts and saves for a rainy day for the first time in 18 years

### **Funds Key Investment Areas**

- Increases Evidence-Based Education Funding (EBF) \$350 million from FY 2022 levels – \$9.7 billion in General Funds
- Increases General Funds support for universities and community colleges
- Increases the Monetary Award Program (MAP) by \$122 million to a total of \$601 million
- Increases funding for safety net human services agencies
- Fully funds the certified FY 2023 pension contribution of \$9.6 billion and pledges an additional \$500 million

### **Provides \$1.83 billion in Tax and Fee Relief for Illinois Families; including:**

- One-time tax rebate payments of 5% of property taxes paid, up to \$300 - \$520 million
- One-time tax rebate payment of \$50/adult and \$100/dependent - \$685 million
- One-year suspension of state tax on groceries (\$400 million) and 6 month delay in MFT COLA change



# Illinois Family Relief Plan - \$1.8 billion in tax relief



## *One-time tax relief for Illinois families*

### **Grocery Tax Freeze**

**\$400 million in taxpayer savings**



One-year holiday from state sales taxes on essential groceries

- Local governments will be reimbursed for the cost of the holiday

### **Income/Property Tax Rebates**

**\$1.2 billion in taxpayer assistance**



One-time property tax rebate payment to Illinois homeowners of 5% of property taxes paid up to \$300 and \$50/adult + \$100/dependent income tax rebate payment

### **Gas Tax Suspension**

**\$70 million in taxpayer savings**



Six month freeze on a scheduled cost of living increase in the motor fuel tax

### **Earned Income Credit Expansion**

**\$100 million**



Permanent changes to those eligible for Illinois EIC

# American Rescue Plan Act (“ARPA”) State Fiscal Recovery Funds

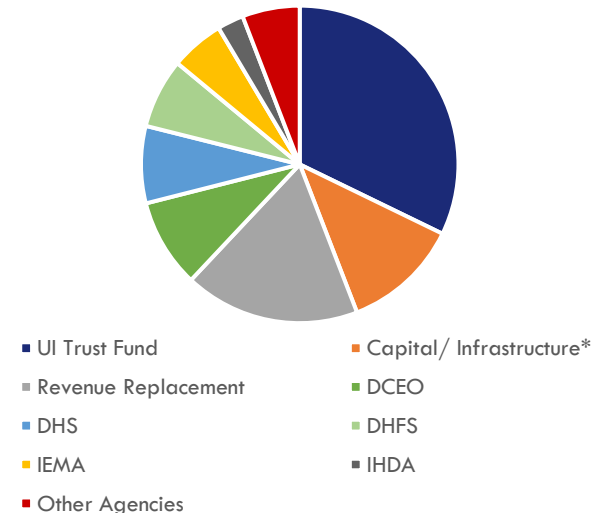


***State is strategically using ARPA funds to recover from pandemic and invest in one-time expenditures***

- Public Act 102-696 dedicates \$2.7 billion of ARPA recovery fund dollars to stabilize the State’s unemployment insurance trust fund, thereby helping small businesses
- FY 2022 budget provided one-time operating and capital appropriations to improve the State’s economy, public health and educational infrastructure in response to the COVID-19 pandemic
- FY 2023 budget allocates most of the remaining ARPA Coronavirus State Fiscal Recovery Fund dollars
- While funds have been fully appropriated, the State has until 2026 to spend

Total ARPA Expenditure Allocations (\$ in millions)	
State's Title VII Advances on the Behalf of the State's UI Trust Fund	\$2,700
Capital/Infrastructure Projects*	1,000
Revenue Replacement to Fund Essential Government Services	1,500
Department of Commerce and Economic Opportunity - Small Business Grants/ Economic Recovery	758
Department of Human Services - Social Safety Net and Violence Prevention	659
Department of Healthcare and Family Services - Healthcare Provider Support Programs	595
Illinois Emergency Management Agency - Operational Costs Related to COVID-19 Response	458
Illinois Housing Development Authority - Affordable Housing Programs	225
Other Agencies	491
<b>Grand Total</b>	<b>\$8,386</b>

## Illinois Total ARPA Expenditure Allocations

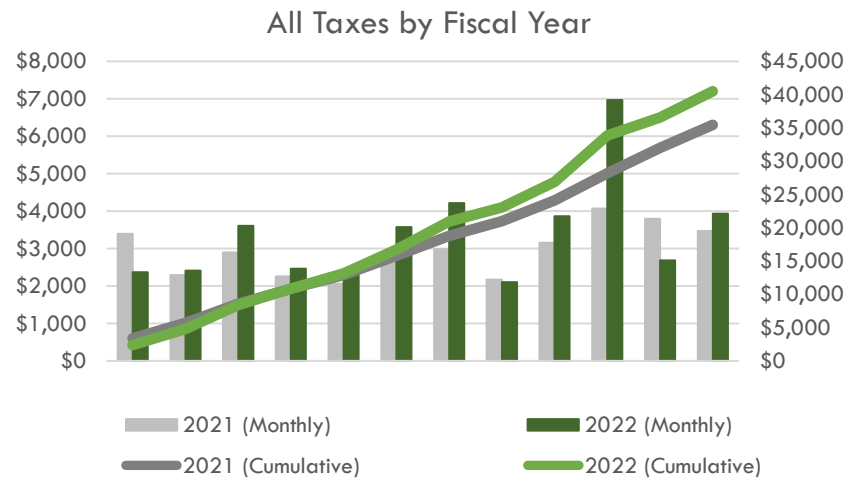
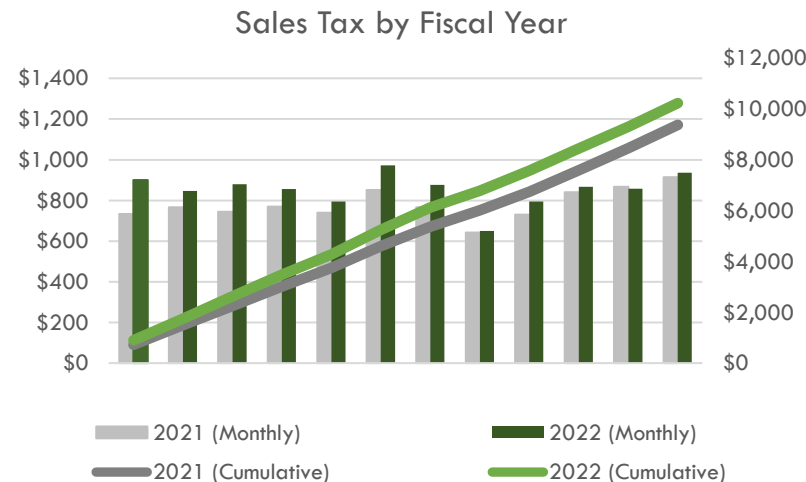
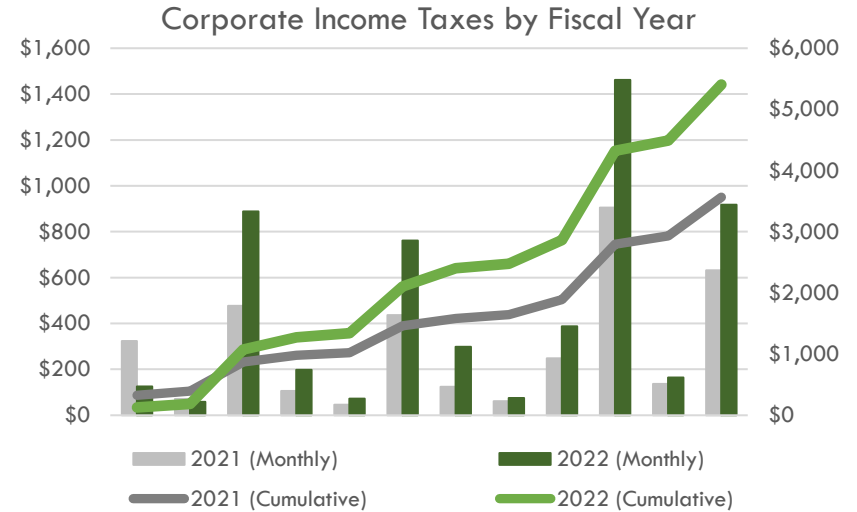
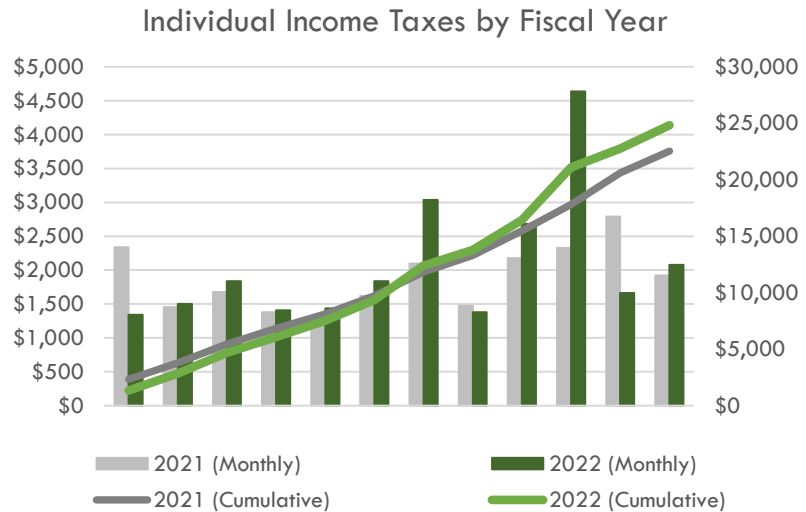


\* Illinois will receive \$254 million from the Coronavirus Capital Projects Fund to support a portion of the broadband capital appropriations.

# General Funds Monthly Revenues



**Preliminary FY 2022 revenues rebounded to more than 130% of pre-pandemic revenues**



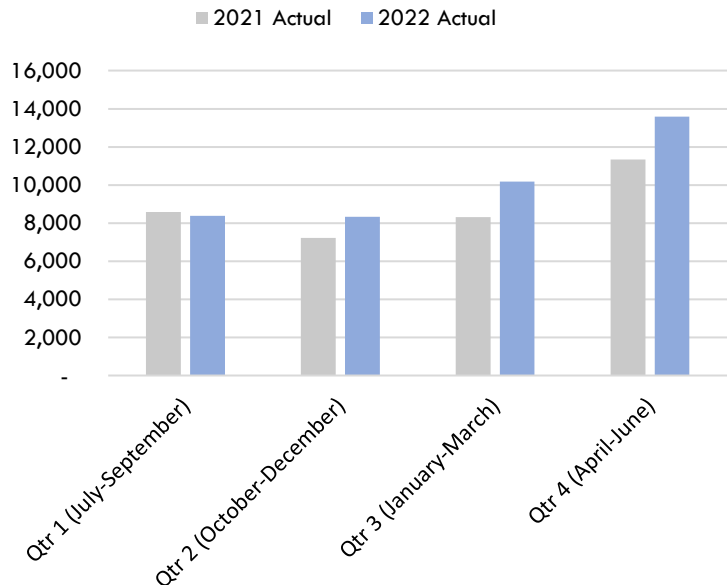
Note: For purposes of this calculation, it was assumed that revenues started to be adversely impacted by the pandemic in March 2020 thus July 2020 to February 2021 revenues are compared to July 2019 to February 2020 revenues and March 2021 to June 2021 revenues are compared to March 2019 to June 2019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

# FY 2022 Revenues Continue to Outpace Historical Revenues



Tax Revenues Comparison (\$ in Millions)				
Individual Income Tax				
	2021 Actual	2022 Actual	Diff.	% Diff.
Qtr 1 (July-September)	5,468	4,678	(790)	-14.4%
Qtr 2 (October-December)	4,273	4,684	411	9.6%
Qtr 3 (January-March)	5,744	7,094	1,350	23.5%
Qtr 4 (April-June)	7,041	8,382	1,341	19.0%
YTD Total	22,526	24,838	2,312	10.3%
Corporate Income Tax				
Qtr 1 (July-September)	870	1,072	202	23.2%
Qtr 2 (October-December)	588	1,031	443	75.3%
Qtr 3 (January-March)	432	760	328	75.9%
Qtr 4 (April-June)	1,672	2,544	872	52.2%
YTD Total	3,563	5,408	1,845	51.8%
Sales Tax				
Qtr 1 (July-September)	2,246	2,627	381	17.0%
Qtr 2 (October-December)	2,360	2,623	263	11.1%
Qtr 3 (January-March)	2,139	2,323	184	8.6%
Qtr 4 (April-June)	2,622	2,662	40	1.5%
YTD Total	9,368	10,235	867	9.3%
Total Top 3 GF Taxes				
Qtr 1 (July-September)	8,584	8,377	(207)	-2.4%
Qtr 2 (October-December)	7,221	8,338	1,117	15.5%
Qtr 3 (January-March)	8,316	10,177	1,861	22.4%
Qtr 4 (April-June)	11,335	13,588	2,253	19.9%
YTD Total	35,456	40,480	5,024	14.2%

Quarterly Top 3 GF Taxes by Fiscal Year



Notes:

<sup>1</sup>In 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).

## 4. Illinois' Strong and Diverse Economy



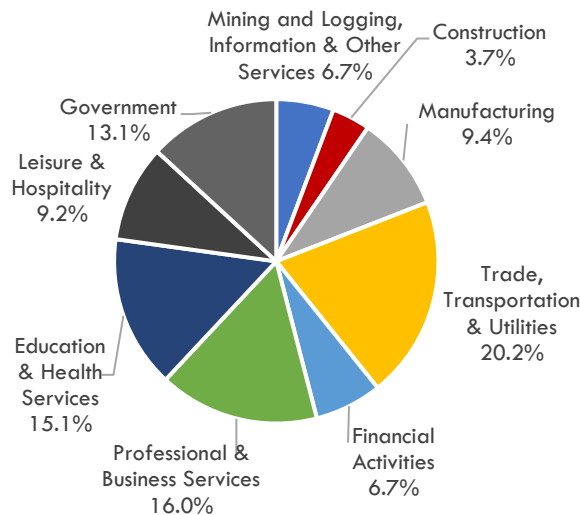
# Illinois' Strong Economic Foundation



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

## Strong and Diverse Economy

- 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 37 Fortune 500 companies<sup>4</sup>



## Expansive Transportation and Logistics Network

- State is home to the 4th and 26th busiest U.S. airports - O'Hare and Midway<sup>1</sup>
- Illinois is the only state where all seven Class I railroads in the United States operate<sup>2</sup>



## Highly Educated Population

- Illinois is home to top ranked universities, bringing talented and educated individuals to the State
- 35.5% of Illinois residents have college degrees, above the U.S. at 32.9% and the Midwest region at 29.2%<sup>3</sup>



# Corporate Investments and Expansions



## *Business expansion across the state*

Illinois is home to 37 Fortune 500 headquarters, but continues to attract growing businesses throughout the State. Here is a sample of recently announced investments and expansions:

- Kellogg's announced the relocation of a headquarters and snack division to Chicago
- State's sale of the James R. Thompson Center to a private entity to allow for the expansion of Google's Chicago-based workforce
- Last month T/CCI became the State's first Reimagining Electric Vehicles (REV) tax credit recipient for their EV compressor manufacturing facility expansion in Decatur
- In Decatur, ADM and LG-Chem announced a joint venture to develop two production facilities for eco-friendly bioplastics
- In Rockford, AAR announced a multi-year agreement with United Airlines, adding up to 250 aviation maintenance technician positions
- In Bloomington, Rivian has nearly tripled its workforce to build electric vehicles over the past year, and Ferrero announced its first ever U.S. Kinder Bueno production facility
- In Caseyville, Tyson Foods announced a \$180 million investment and the creation of 250 jobs to expand its food production facility

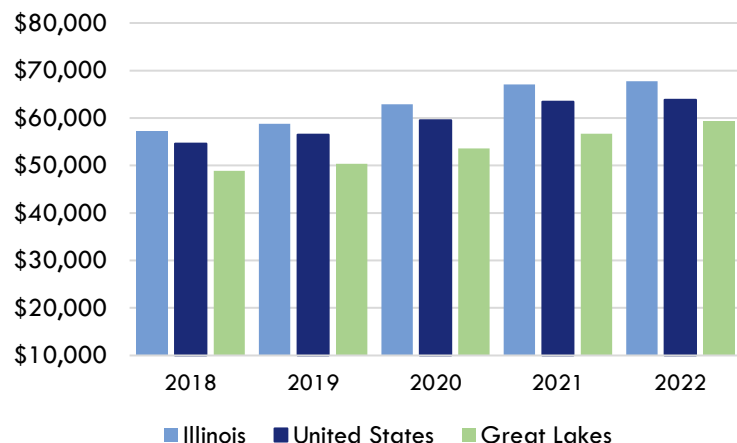


# Illinois' Robust Economic Indicators

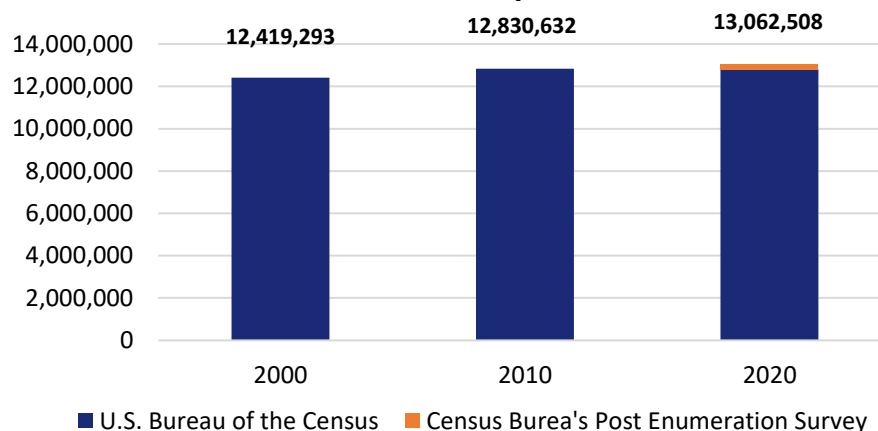


*The State's recovery in economic indicators demonstrates the State's resiliency*

**Per Capita Personal Income Surpasses  
National and Regional Measures <sup>1, 2</sup>**



**Illinois Population**



- Illinois' population estimated to have **grown not diminished contrary** to news headlines
- Census Bureau's Post Enumeration Survey (PES) report issued on 5/8/22 found that Illinois had its population **significantly undercounted** by the 2020 Census (by ~250,000 people)
- Illinois' GDP grew 9.9% since pre-pandemic levels of January 2020 (\$885.6 billion), with State GDP reaching \$987.4 billion by 1<sup>st</sup> Quarter 2022, exceeding Saudi Arabia's GDP <sup>4</sup>
- Since April 2020, Illinois' unemployment rate has fallen from 17.4% to 4.8% in July 2022<sup>3</sup>
- Illinois' per capita income is ranked 1st among the Great Lakes region<sup>3</sup> and 3rd among the 10 most populous states<sup>1</sup>

1. Bureau of Economic Analysis as of June 22, 2022. 2. The Great Lakes region includes Illinois, Indiana, Michigan, Ohio and Wisconsin. The measures here reported are the averages of those states' measures.

3. U.S. Bureau of Labor Statistics, nonseasonally adjusted compared to IHS Market preliminary data 4. International Monetary Fund, World Economic Outlook (October 2021)

<https://statisticstimes.com/economy/projected-world-gdp-ranking.php> ; St Louis Federal Reserve, Source: BEA, <https://fred.stlouisfed.org/series/ILNQGSP>

Note: For illustration purposes only. The Census Bureau's Post Enumeration Survey (PES) is a follow-up survey to the census count meant to examine the results for accuracy through additional statistical sampling. Adjusted total includes the estimated 250,000 undercount found in 2020 Post-Enumeration Survey Estimation Report plus the April 1, 2020 State of Illinois's population base estimate of 12,812,508

Source: U.S. Census, [www2.census.gov/programs-surveys/decennial/coversage-measurement/pes/census-coverage-estimates-for-people-in-the-united-states-by-state-and-census-operations.pdf](https://www2.census.gov/programs-surveys/decennial/coversage-measurement/pes/census-coverage-estimates-for-people-in-the-united-states-by-state-and-census-operations.pdf)



# Illinois' Debt Burden Measures

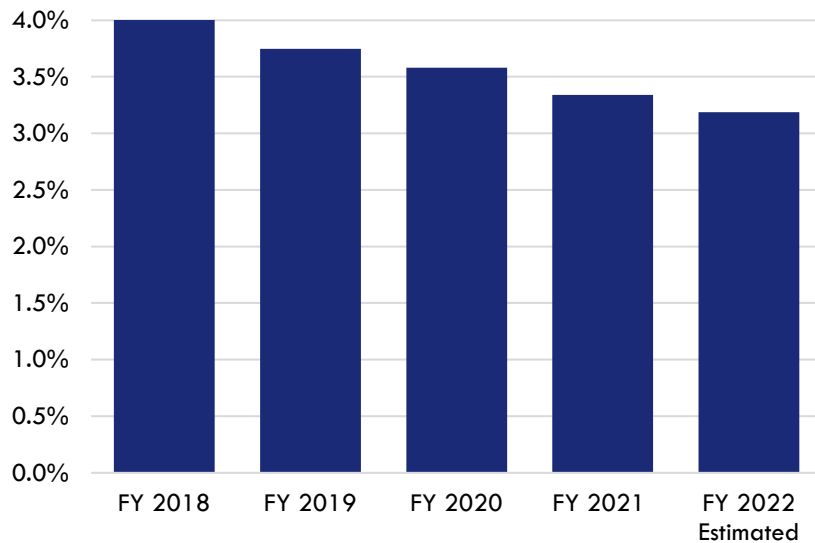


*Illinois has a conservative debt profile with strong legal protections*

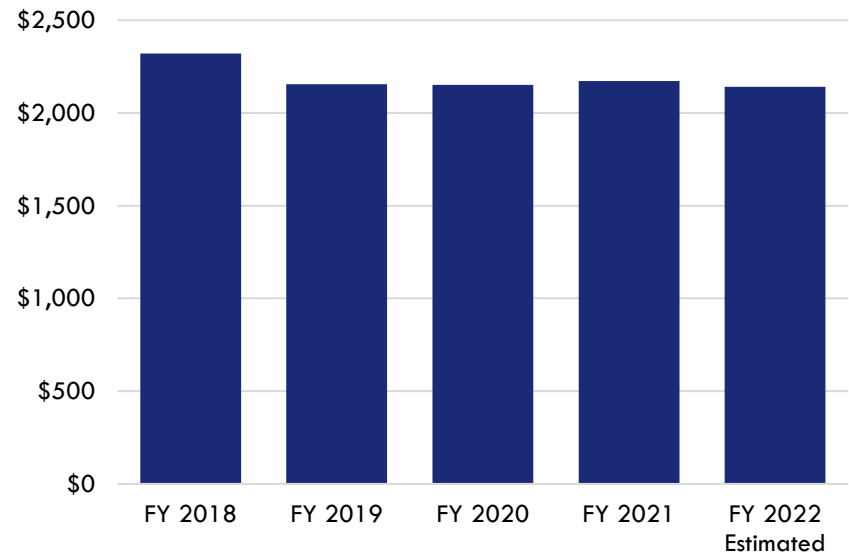
**Debt Service for Long-Term GO Bonds as a Percentage of Appropriations<sup>1</sup>**

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 Projected
Total Appropriations (in millions)	\$43,557	\$47,324	\$49,904	\$53,625	\$54,855
Total GO Debt Service as a Percentage of Appropriations	9.3%	6.6%	6.4%	6.2%	6.1%

**Outstanding Long-Term GO Debt as a Percentage of Total Personal Income<sup>2</sup>**



**Outstanding Long-Term GO Debt per Capita<sup>2</sup>**



Note: Estimated and projected personal income numbers come from the Bureau of Economic Analysis.

<sup>1</sup> 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.

<sup>2</sup> 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. Personal Income and population data as of June 22, 2022. Debt outstanding as of June 30 of each fiscal year. Personal Income and population data reflects an average of four quarters of BEA data for all years except FY 2022, which is an average of the first three quarters of the year representing the latest data available.

## 5. Pension Update



# Funding Pension Obligations



## *2010s era escalating pension costs are projected to level off*

- UAAL funded ratio increased from 39.0% (Fair Value) and 40.4% (Actuarial Value) in FY 2020 to 46.6% (Fair Value) and 42.4% (Actuarial Value) in FY2021
  - The increase in funded ratios was due primarily to investment returns exceeding the assumed rate of return
- The FY 2023 budget fully funds the certified contribution of \$9.63 billion from the General Funds
  - Contributions to the Retirement Systems are project to constitute approximately 21% of State's General Funds expenditures, a decline from approximately 30% in Fiscal Year 2016
- Governor continues to explore additional ways to manage our pension commitments:
  - Public Act 102-718 authorizes an additional \$1 billion in GO Bond Authorization towards the pension buyout programs and extends the option to participate to June 30, 2026
  - Public Act 102-696 makes an extra payment of \$300 million in FY 2022 and enacted budget another \$200 million in FY 2023 to the State's Pension Stabilization Fund, estimated to reduce liabilities by over \$1.8 billion
- Established a “two-tier” pension system expected to reduce pension payments for employees who become members of the Retirement Systems on or after January 1, 2011
- Retirement Systems currently project that the number of Tier 2 Employees will exceed the number of Tier 1 Employees beginning in Fiscal Year 2023

# Update on Accelerated Pension Benefits Program



- 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 delayed 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
- Updates:
  - P.A. 102-718 increased the State’s authorization to issue Section 7.7 Bonds to \$2 billion. Following the issuance of the October 2022A Bonds, the State will have issued \$1.148 billion\* of the Section 7.7 Bonds so authorized.
  - As of August 18, 2022, SERS’ AAI Reduction Program participation was 26.2% and its Pension Buyout Program participation was less than 1%.
  - As of August 29, 2022, TRS’ AAI Reduction Program participation was 18.7% and its Pension Buyout Program participation was 11%.
  - As of July 31, 2022, SURS’ AAI Reduction Program participation was 1.6% and its Pension Buyout Program participation was less than 1%.

\*Preliminary, subject to change

# Pension Investment Rate of Return Assumptions



## *Strong FY 2021 investment results improve funding status*

- Assumed investment rate of return for 4 of the 5 Illinois State-backed pension plans are below the US national median for public pension plans (7%) reflecting a decrease over the last decade
- Investment performance as of June 30, 2021 for TRS was 25.5%, SURS was 23.8%, SERS 24.9%, GARS was 22.9%, and JRS was 24.9%
- Investment performance as of March 31, 2022 for TRS was 4.16%, SURS was 4.1%, and SERS, GARS and JRS was 1.1%.

**Investment Rate of Return Assumptions  
Used by the Retirement Systems**

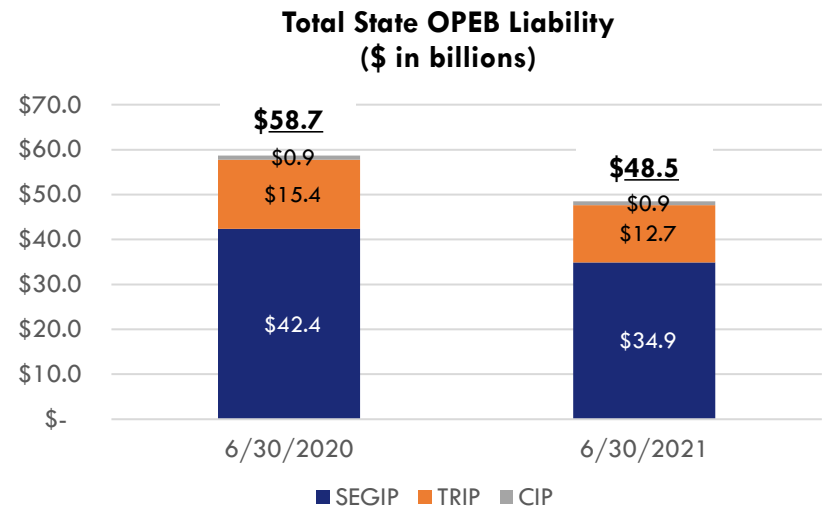
	<b>2012</b>	<b>2021</b>
TRS	8.00%	7.00%
SURS	7.75%	6.50%
SERS	7.75%	6.75%
GARS	7.00%	6.50%
JRS	7.00%	6.50%

# Other Post Employment Benefits Reductions



## *Proactive cost management is reducing OPEB liabilities*

- State contributes to three programs to provide OPEB to retirees through:
  - ✓ State Employees Group Insurance Program (SEGIP) for state and university employees and their dependents
  - ✓ Teachers' Retirement Insurance Program (TRIP) for retired teachers covered by TRS pension system
  - ✓ College Insurance Program (CIP) for retired community college employees outside of Chicago
- While the State is the primary funder for SEGIP, the TRIP and CIP programs are jointly funded by the State, local employers, active employees and retirees.
- FY 2021 Actuarial Valuations reflect the results of proactive management to reduce costs in the State's health insurance programs with a 17.4% reduction in State OPEB liability
- Updated analysis based primarily on the impact of changes in collective bargaining agreements, negotiated contract changes with carriers, and the impact of reduced costs of the Medicare Advantage Prescription Drug programs



## 6. Plan of Finance



# Issuance Terms and Amortization Schedule



Financing Overview		Preliminary Amortization*			
Use of Proceeds	The 2022A Bonds are issued to fund accelerated pension benefit payments pursuant to Section 7.7 of the Bond Act, provide funds to finance capital projects under the State’s capital program, and pay costs of issuance of the 2022A Bonds.	Maturity	Series 2022A	Series 2022B	Series 2022C
	The 2022B and 2022C Bonds are being issued to provide funds to finance capital projects under the State’s capital program and to pay costs of issuance of the 2022B and 2022C Bonds.				
Security	The Bonds are direct, general obligations of the State issued pursuant to Section 9 of Article IX of the Illinois Constitution and the fund accelerated pension benefit payments pursuant to the Bond Act (“GO Bonds”), and by law the full faith and credit of the State is pledged for the punctual payment of interest on the Bonds as the interest becomes due and for the punctual payment of the principal thereof at maturity, or any earlier redemption date, and premium, if any. The Bond Act provides that the section of the Bond Act making such pledge is irrevocable until all GO Bonds issued under the Bond Act, including the Bonds, have been paid in full.	2023	28,000,000		
		2024	28,000,000		
		2025	28,000,000		
		2026	28,000,000		
		2027	28,000,000		
		2028	28,000,000		
		2029	7,000,000	21,000,000	
		2030		28,000,000	
		2031		28,000,000	
		2032		28,000,000	
		2033		28,000,000	
		2034		28,000,000	
		2035		28,000,000	
		2036		28,000,000	
		2037		28,000,000	
		2038			28,000,000
		2039			28,000,000
		2040			28,000,000
		2041			28,000,000
		2042			28,000,000
		2043			28,000,000
		2044			28,000,000
		2045			28,000,000
		2046			28,000,000
		2047			28,000,000
		Total	175,000,000	245,000,000	280,000,000
Interest Dates*	Payment April 1 and October 1, commencing April 1, 2023				
Principal Dates*	Payment October 1, commencing October 1, 2023				
Mode	Fixed Rate Bonds				
Ratings	Baa1 /BBB+ /BBB+ (Moody’s/S&P/Fitch)				
Sale Date*	September 28th				
Closing*	October 13 <sup>th</sup>				

\*Preliminary, subject to change

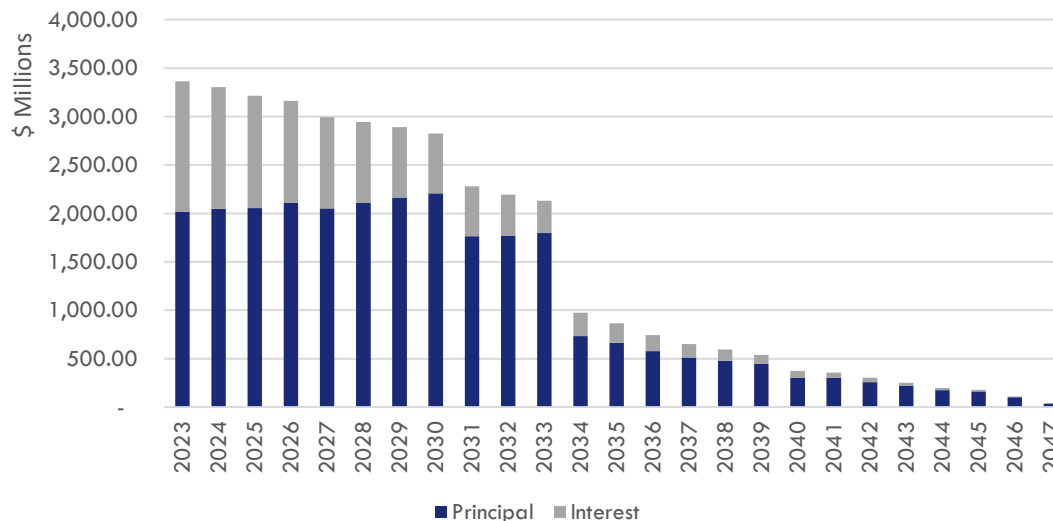




# General Obligation Bond Overview

- 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
- Monies are transferred monthly to the GOBRI Fund and, by law, are used for the payment of GO Bonds issued under the General Obligation Bond Act ("Bond Act")
- 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 cash balance in the GOBRI Fund on September 1, 2022 was approximately \$1.659 billion
- Segregation of funds for debt service begins 12 months in advance for principal payments and 6 months in advance for interest payments on GO Bonds
- All of the State's outstanding debt is fixed rate, with no variable rate debt or interest rate swap agreements

General Obligation Debt Service By Fiscal Year



## Par Outstanding as of July 1, 2022

Bill Backlog Bonds	\$4.0 Billion
Capital Improvement and Refunding Bonds	\$14.1 Billion
Pension Funding Bonds	\$8.0 Billion
Pension Acceleration Bonds	\$0.9 Billion
<b>Total</b>	<b>\$27.1 Billion</b>

## Outstanding Debt

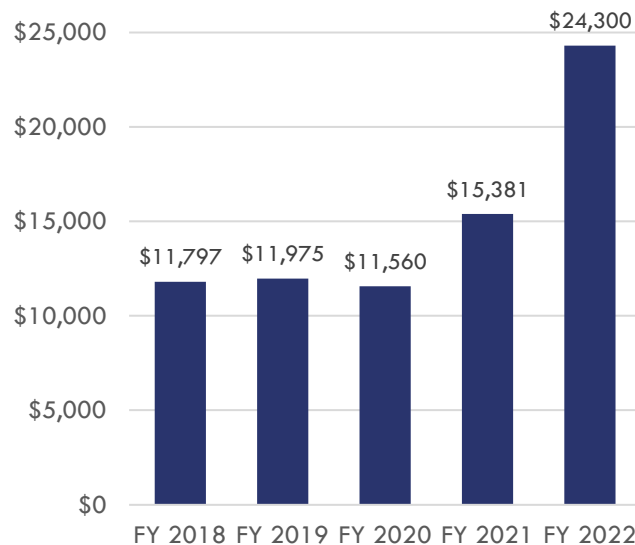
Fixed Rate  
100%



# General Obligation Bond Overview

- 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 and Coronavirus Urgent Remediation Emergency Borrowing Act 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 cash balance in the GOBRI Fund on September 1, 2022 was approximately \$1.659 billion.

**Cash Balances**  
As of end of Fiscal Years 2018 - 2022  
(\$ in millions)<sup>1</sup>



TRANSFERS TO THE GOBRI FUND FOR PAYMENT OF DEBT SERVICE <sup>2</sup>					
FISCAL YEARS 2018-2022					
(\$ IN MILLIONS)					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
General Revenue Fund					
GO Bonds	\$ 2,899	\$ 2,701	\$ 1,870	\$ 1,529	\$ 1,230
Road Fund <sup>3</sup>	349	339	379	431	470
School Infrastructure Fund <sup>3</sup>	172	107	145	385	281
Capital Projects Fund <sup>3</sup>	285	431	638	783	1,468
<b>Total</b>	<b>\$ 3,706</b>	<b>\$ 3,579</b>	<b>\$ 3,031</b>	<b>\$ 3,128</b>	<b>\$ 3,448</b>

Note: Totals may not add due to rounding

1. Does not include Federal Trust Funds. Includes GOBRI.

2. Does not include debt service transfers on MLF borrowings and short-term debt as may have been from time to time outstanding.

3. Each of the Road Fund, the School Infrastructure Fund ("SIF") and the Capital Projects Fund ("CPF") all pay a portion of the debt service on the State's GO Bonds. Under the State Finance Act, SIF and CPF supplement General Revenue Fund transfers. Pursuant to Section 15 of the GO Bond Act, monies are not required to be transferred if amounts in the GOBRI Fund are sufficient. Therefore, in years in which one or more of these funds is able to pay a greater portion of such debt service, the transfers from the GRF can be reduced.

## 7. Conclusion



# Positioning Illinois for the Future



## **State has passed four consecutive balanced budgets on time**

- Enacted FY 2023 is a balanced operating budget, with an estimated surplus of \$436 million, with a portion of the surplus dedicated to the Budget Stabilization Fund

## **State tax revenue growth and sound fiscal policy is driving a stronger balance sheet**

### **Managing pension commitments continues to be a priority:**

- Additional \$1 billion authorization for bond funding of pension buyouts, extending the program to 2026
- Budget includes funding all pensions at statutory levels plus \$500 million of additional pension payments, estimated to reduce the State's net pension liability by \$1.8 billion

### **Key Fiscal steps have included:**

- \$5.3 billion of debt paydown by across FY 2022 and FY 2023
- Reduced General Funds accounts payable to under 15 days
- Early retirement of \$2 billion in COVID-related MLF/IFB borrowing
- Eliminated claims holds on State employee/retiree health insurance bills

## **Legislation directs *permanent revenue streams* to the Budget Stabilization Fund after replenishing the fund to over \$1 billion**

## **Funding of \$1.83 billion in one-time tax relief for working families**

**Continued strong operating results, lowered debt liabilities and replenishment of the Budget Stabilization Fund and pension fund place the State on track towards the strongest fiscal position in a generation**

## 8. Timeline and Contacts



# Transaction Timeline and Contacts



Date	Event
September 16 <sup>th</sup>	Posted POS/NOS
September 21 <sup>st</sup>	Investor Meeting
September 28 <sup>th</sup>	Sale Date
October 13 <sup>th</sup>	Closing

September 2022						
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	

October 2022						
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
23/30	24/31	25	26	27	28	29

## State of Illinois

### Governor's Office of Management and Budget

Paul Chatalas

Director of Capital Markets

[Paul.Chatalas@illinois.gov](mailto:Paul.Chatalas@illinois.gov)

(312) 814-0023

## Municipal Advisor

### Acacia Financial Group, Inc

Noreen White

Joshua C. Nyikita

Co-President

Managing Director

[Nwhite@acaciafin.com](mailto:Nwhite@acaciafin.com)

[jnyikita@acaciafin.com](mailto:jnyikita@acaciafin.com)

(856) 234-2266

(856) 234-2266