· DECEMBER 2013 ISSUE ·

STATE OF ILLINOIS
COMPTROLLER
JUDY BAAR TOPINKA

FISCAL FOCUS

A Publication of the Illinois State Comptroller

$127 BILLION IN DEBT

WHO PAYS IT BACK?

YOU DO.

COVER STORY- page 4

INSIDE STORIES: • Letter From The Comptroller... 2 • From The State Capitol... 2 • Comptroller Opens The Warehouse... 3 • Ledger Update... 3 Cover Story, Debt... 4-9 • Pension Bonds Free Up Money... 10 • State Authorities Assist with Debt... 11 • State Borrows To Pay Federal Government... 12 • By The Numbers... 13, 14, 15 • Did You Know?... Back cover

WWW.ILLINOISCOMPTROLLER.COM

DOLLARS TODAY COST US BIGGER DOLLARS TOMORROW

Many families and individuals are familiar with the concept of going into debt. Whether in the form of a mortgage, student loan, or credit card, most people – at one time or another – have made the decision that borrowing money was the right thing to do, even though they know it will cost them more money in the long term.

State government has also taken on debt over the decades, but unlike you and me, it cannot walk into a bank and apply for a loan. The state borrows money by issuing bonds. By issuing these bonds, the state borrows money to pay for some of the "goods" it provides to those of us who live here. And as long as investors, both foreign and domestic, have money and are willing to invest it in Illinois bonds, the state may continue to issue them.

While policymakers may disagree about whether or not the State of Illinois made the right decision by taking on so much debt, the bottom line is that it must be paid for. Unfortunately, investors are not willing to give the State of Illinois a dollar today in return for a dollar tomorrow – the state must pay interest so that the investors get a return on their investment. As a result, the state currently makes interest payments on money it has borrowed before. In the future, it will make interest payments on the money it is borrowing now. And the cycle continues.

The State of Illinois may not have a nice home with a big backyard, a college education, or any of the myriad things that people purchase with the "plastic" to show for the debt it took on – but it did provide funding for items such as roads, schools, mass transit projects, and environmental initiatives. However, as long as the state government must borrow money to provide for these infrastructure needs, the interest costs will continue to eat away at our budget. In fiscal year 2013, Illinois spent $1.45 billion on its general obligation bonds' interest payments alone. Every dollar spent on interest payments is a dollar not spent on some other pressing need.

In this issue of *Fiscal Focus*, we discuss the types of bonds, the costs of borrowing, the impact of bond ratings, pension bonds and several other important debt-related topics as well.

We hope you find this issue of *Fiscal Focus* to be informative. If you have any comments, please feel free to share them with us at (217) 782-6000 or at our website www.illinoiscomptroller.com.

Judy Baar Topinka
Illinois State Comptroller

~ From the State Capitol ~

VENDORS INCREASINGLY OPT FOR DIRECT DEPOSIT

New Practice Saves Taxpayers Millions in Paper and Postage

UPDATE: Close to 95 percent of state worker payroll checks and nearly 65 percent of commercial payments are now made electronically as the Comptroller's Office continues to work with vendors to transition to Direct Deposit.

In 2011, Comptroller Topinka was instrumental in the enactment of a law that would penalize vendors who didn't sign up for this more efficient and cost saving practice. When the new push for direct deposit was started in 2011, approximately 25 percent of the commercial payments were made electronically. This has saved Illinois taxpayers almost $630,000.

"We're saving money and making state government more efficient," Topinka said. "The response has been encouraging and we're going to build on that success in the coming year."

The creation of an Enhanced Vendor Remittance site has contributed to the growth of Direct Deposit. The site allows Direct Deposit vendors to check on the status of payments and view transactions from the last three fiscal years. Go to www.illinoiscomptroller.com to learn more.

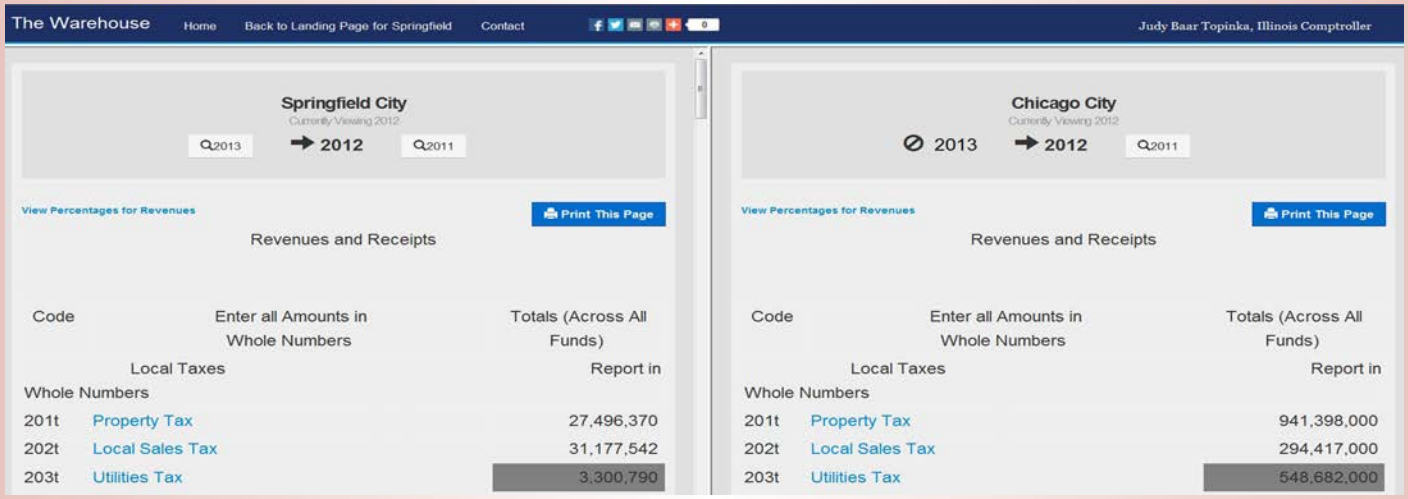
Comptroller Opens The Warehouse

Local Finances Made Transparent Online

Comptroller Judy Baar Topinka's newest online transparency portal to local government finances is open for business! With a few clicks through the Warehouse, Illinois residents can find the financial reports that have been filed by their local governments. Each year, the Comptroller's Office collects more than 9,200 financial reports from counties, municipalities, and special taxing districts across the state.

This searchable database is available on your desktop computer, tablet or phone by visiting www.illinoiscomptroller.com. Residents can comb through the online Warehouse and search by report type, unit of government or community name. Data pertaining to that inquiry will include information such as the community's financial report, audit and/or Tax Increment Finance report. Visitors will also be able to compare that data to any other community or unit of government in Illinois.

Information dating back to fiscal year 2011 will be available on the site. Each unit of local government may operate on a slightly different fiscal year, but are required to turn their reports in within 180 days after the conclusion of their fiscal year. Illinois Office of the Comptroller staff posts the reports as soon as they become available. ■



Ledger Update

Transparency Site Passes 385,000 Hits

After you spend some time in The Warehouse, head over to the Comptroller's Ledger web page (http://ledger.illinois-comptroller.com/) where the commitment to government transparency continues. More than 385,909 people have visited the web site to search state salaries, contracts and bill backlogs, since it was launched in April 2012. The record for page views was set by 7,238 people on August 28, 2013.

"Taxpayers should have this information when they want it, after all they are footing the bill," Topinka said. "We will continue to work to make all of this information as accessible and understandable as we can. Stay tuned to these sites for up-to-date info." ■

$127 Billion. Is Illinois Drowning in Debt?

A LOOK AT ILLINOIS' DEBT AND CREDIT RATING CHALLENGES

Over the last four years, state officials have borrowed money for various purposes, totaling $16.1 billion, including the most recent $350 million bond deal in December 2013. This money is being spent on updating roads, bridges, state facilities and schools as well as pension payments. They've made these decisions and now Illinois taxpayers are on the hook for the principal and interest payments of these loans for the next 25 years.

Long-term bonds are typically issued to finance the costs of projects with a longer useful life like land purchases, road and building construction projects. Short-term certificates may be issued to help the state with cash flow needs.

Direct debt of the state is repaid by the state's revenues. Under Section 9 of Article 9 of the State Constitution, direct state debt can be authorized by the vote of three-fifths of each house of the General Assembly or by the majority of electors voting in a general election. Issuance of these bonds is primarily the responsibility of the Governor's Office of Management and Budget (GOMB).

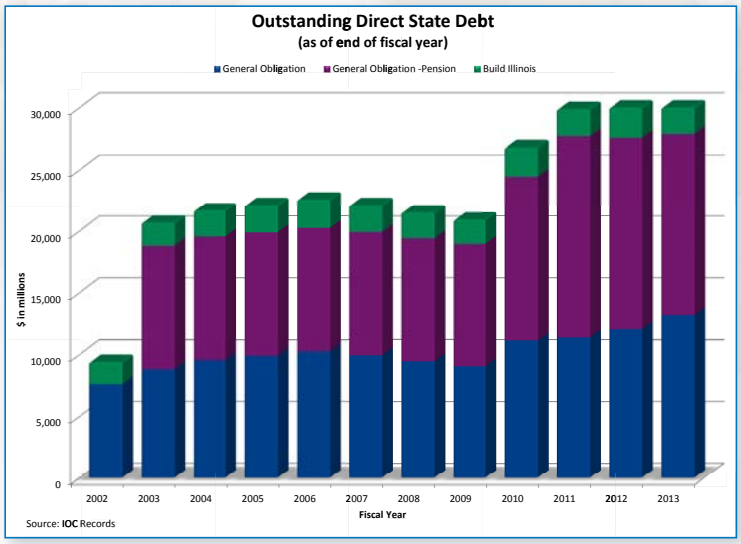
Conduit, indirect, and moral obligation debt can be issued by Illinois' agencies and authorities, and some of these bonds might have a claim on state revenues while other bonds stand on their own. For additional information on these other types of debt, the Office of the Comptroller publishes an annual Bonded Indebtedness and Long-Term Obligations Annual Report that is available on the office's website at www.illinoiscomptroller.com.

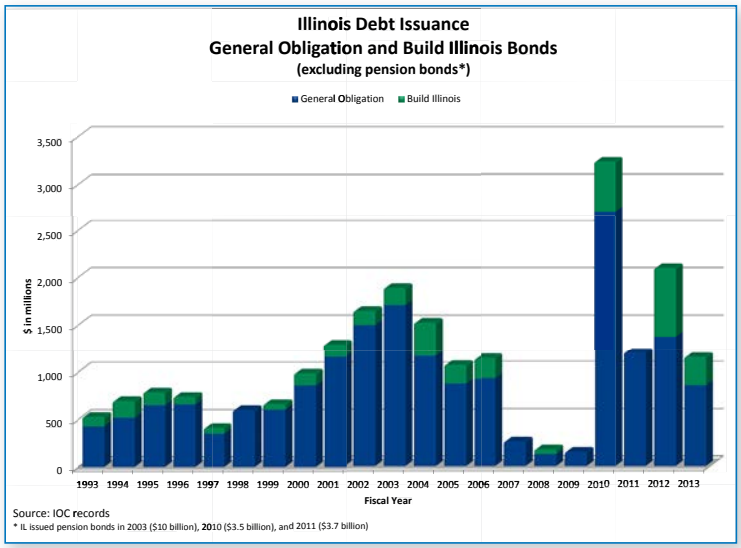
TYPES OF LONG-TERM STATE DEBT—
General Obligation Bonds

General obligation (GO) bonds are the largest of the state's direct borrowing programs. Backed by the full faith and credit of the State of Illinois, the state essentially pledges to repay these bonds before any other financial commitments. In practice, the debt service principal and interest on the bonds is repaid primarily from the General Revenue Fund (GRF), the Road Fund, the School Infrastructure Fund (SIF), and the Capital Projects Fund.

GO bond proceeds fund a wide range of projects such as road improvements; university, state agency and correctional facilities construction and maintenance; environmental and conservation projects; mass transit and aviation projects; and elementary and secondary school construction grants.

At the end of fiscal year 2013, $26.87 billion in GO bonds was outstanding, including $14.686 billion of GO pension funding bonds. At the end of fiscal year 2002, approximately $7.63 billion in GO bonds was outstanding. The amount outstanding has increased substantially since then with the issuance of the three series of pension funding bonds (more on pension funding bonds on page 10). Outstanding bonds issued for capital purposes fell between 2006 and 2009, as the state's capital program slowed down from earlier levels as authority to issue bonds dissipated. Beginning in fiscal year 2010, bond issuance surged under Illinois Jobs Now! and the Build America bond program (where the state receives federal subsidies of a portion of the interest cost). Pension bonds were issued in 2010 and 2011 as well.





Debt service on GO bonds has increased significantly in the last two years due to the issuance of the 2010 and 2011 pension bonds. Additionally, debt service tied to Illinois Jobs Now! (primarily reflected by the increases in debt service on Road Fund and Capital Projects Fund supported bonds) has increased the debt service payments for capital purposes in recent years. Total GO debt service totaled approximately $2.97 billion in fiscal year 2013, of which $1.4 billion was for capital related bonds.

— continued on next page

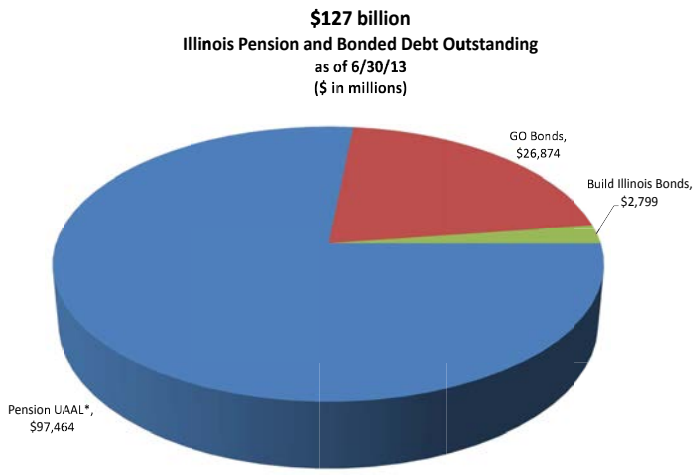
WHAT'S IN A NUMBER? $127 BILLION.

At any point in time, Illinois has various types of debt and obligations and reports reveal a wide variety of numbers claiming to be the state's debt number. These numbers vary based on what is included and the assumptions about future events that affect how the numbers are valued in today's dollars.

This *Fiscal Focus* cover story primarily looks at bonded debt issued directly by the state that must be repaid by the state's taxpayers. This debt, $29.7 billion, is a firm number as there is a specific repayment schedule in place to repay this debt.

Most bigger numbers out there include the state's pension unfunded actuarial accrued liabilities(UAAL). This is an estimate of the shortfall in pension assets to cover the estimates of the accrued liabilities of a defined benefit pension system. As of June 30, 2013, this number, $97.5 billion, included the UAAL of the five state systems – the Downstate Teachers' Retirement System (TRS), the State Universities Retirement System (SURS), State Employees' Retirement System (SERS), the Judges' Retirement System, and the General Assembly Retirement System (GARS).

The systems estimated $97.5 billion in UAAL according to the actuarial assumptions put into place by each system's boards of trustees, with the assets valued at market basis. Adding the state's bonded indebtedness of $29.7 billion to that number totals $127 billion outstanding as of the end of fiscal year 2013.

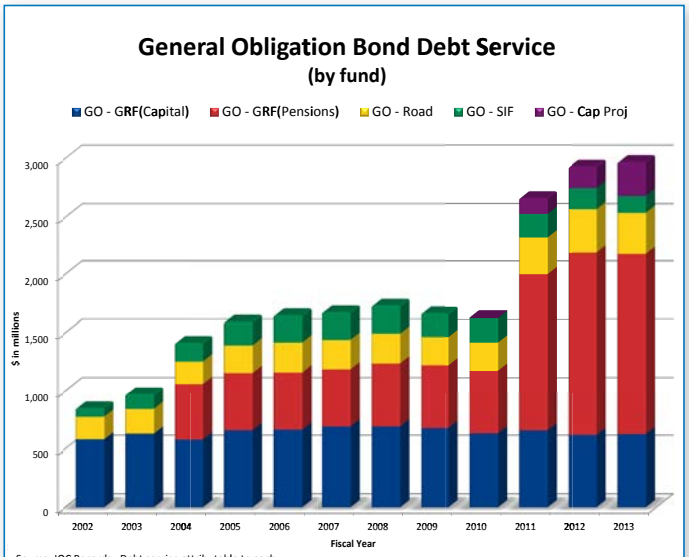


*Pension Unfunded Accrued Actuarial Liability (UAAL) uses Market Value of Assets for calculation.

Source: IOC Records and FY13 Draft Actuarial Reports for TRS, SURS, SERS, JRS, GARS.

Build Illinois Bonds

Build Illinois bonds are state-issued revenue bonds primarily backed by the state's share of sales tax receipts. Initiated in 1985 and expanded several times since then, the Build Illinois program focuses on economic development through business development, infrastructure construction, education and environmental protection.



Source: IOC Records. Debt service attributable to each fund, but if insufficient revenues in SIF or Cap Projects Fund, GRF will supplement the transfers.

At the end of fiscal year 2013, there was roughly $2.8 billion in Build Illinois bonds outstanding, up from under $1.76 billion outstanding at the end of fiscal year 2002. Build Illinois bond authority increased in 2009, allowing the program to begin issuing bonds again under Illinois Jobs Now! The largest year for Build Illinois capital bond sales was fiscal year 2012 when nearly $725 million was issued.

Debt service on Build Illinois bonds has increased each year since fiscal year 2002, except for a slight drop off from 2008 to 2009, due to no Build Illinois bonds being issued in 2007 or 2009. Bond sales of $530 million in fiscal year 2010, as the Illinois Jobs Now! issuance began, led to increases in recent years. Debt service in fiscal year 2002 was $169.1 million, compared to about $342 million in fiscal year 2013.

RATING AGENCIES

When governments issue bonds, independent credit rating agencies assign a rating to the issue. The ratings assigned to all bonds associated with the State of Illinois affect interest payments and therefore, the cost to Illinois taxpayers. Individual bond ratings vary, but the general and special obligation bond ratings are directly related to the financial condition of the state. The ratings often influence the cost to the state of borrowing from the markets. A higher rating usually means lower interest costs for borrowing, while lower ratings usually mean higher interest rates.

There are currently three rating agencies: Moody's Investor Service ("Moody's"), Standard and Poor's ("S&P"), and Fitch Ratings ("Fitch"). Typically, the state will choose to get ratings from all three agencies, as different investors have differing levels of comfort with the agencies. The ratings serve as a gauge of the credit worthiness of the state and are intended to be an indicator of the odds of repayment of the debt. Ratings reflect the views of the rating agencies, and an explanation of the significance of the ratings may be obtained only from the respective rating agencies.

— continued on next page

The ratings agencies have criteria that they use to evaluate the credit worthiness of debt to assign their rating. Municipal bonds historically have had low default rates, and state GO bonds backed by the full faith and credit of the state have been among the strongest bonds in the municipal market. In April 2010, Moody's and Fitch "recalibrated" their municipal ratings by shifting the ratings of governmental debt generally upwards to standardize ratings across all types of issuers.

HOW ILLINOIS STACKS UP

The ratings on GO bonds can be the best indicators as to what the rating agencies think of the state's financial health. Of the states

Rating Agency Scales
Long-term bond issues*

Higher ↑ / Lower ↓

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Ba1	BB+	BB+
Ba2	BB	BB
Ba3	BB-	BB-
B1	B+	B+
B2	B	B
B3	B-	B-

*Lower quality issues could receive 'C' scale ratings following a similar pattern. Explanation of the significance of ratings may be obtained from each rating agency.

that issue general obligation bonds, most are rated in the AAA/Aaa or AA/Aa range. As of September 30, 2013, California and Illinois are the only states with GO bonds that are currently rated in the A range by all 3 rating agencies. California has been at these ratings since 2010 when its rating benefited from the recalibration to the scale done by Moody's and Fitch.

Missouri and Texas retain a AAA/Aaa rating from all 3 agencies. Florida has triple-A ratings from 2 of the 3 rating agencies.

The rating agencies have different areas that they focus on in their analyses of credit worthiness, but one area reviewed is the debt burdens among the states – in particular the debt per capita and the outstanding debt as a percent of personal income.

Moody's publishes an annual review of state "net tax-supported debt" burdens (defined by Moody's as "debt secured by state taxes or other operating resources which could otherwise be used for state operations") that includes comparative statistics of debt as a percent of the state's collective personal income and the amount of outstanding debt per person in the state.

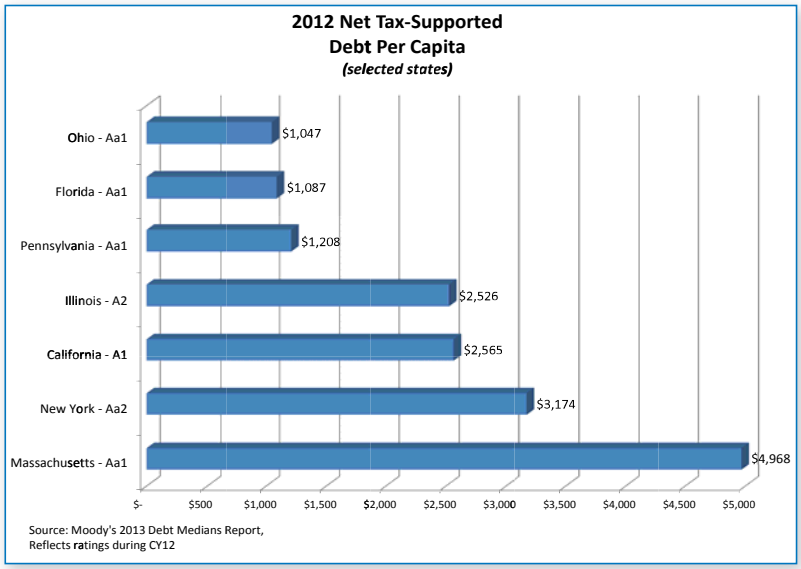
According to the 2013 report looking at all states, Illinois was 9th in debt per capita and 10th in debt as a percent of personal income overall. Illinois' debt burden took a significant jump in 2003 and

State	Fitch	Moody's	S&P
California	A	A1	A
Florida	AAA	Aa1	AAA
Illinois	A-minus	A3	A-minus
Massachusetts	AA-plus	Aa1	AA-plus
Michigan	AA	Aa2	AA-minus
Minnesota	AA-plus	Aa1	AA-plus
Missouri	AAA	Aaa	AAA
Nevada	AA-plus	Aa2	AA
New Jersey	AA-minus	Aa3	AA-minus
New York	AA	Aa2	AA
Ohio	AA-plus	Aa1	AA-plus
Oregon	AA-plus	Aa1	AA-plus
Pennsylvania	AA	Aa2	AA
Texas	AAA	Aaa	AAA
Wisconsin	AA	Aa2	AA

SOURCE: The Bond Buyer, September 30, 2013.

again in 2010 with the issuance of pension bonds. California and Illinois, similarly poorly rated states, currently have similar debt burden levels. The best rated states in the graphs generally had significantly lower debt burdens than Illinois and California.

A notable exception is Massachusetts, currently rated Aa1 by Moody's even with debt burden levels that were 2nd highest among states with GO bond ratings. Moody's in a September 2012 rating review noted that Massachusetts has "strong financial management in financial downturns," significant budget reserves and a willingness to move them higher, and a relatively strong economic



performance in recent years, offsetting high debt ratios and pension funding concerns that led to this strong rating.

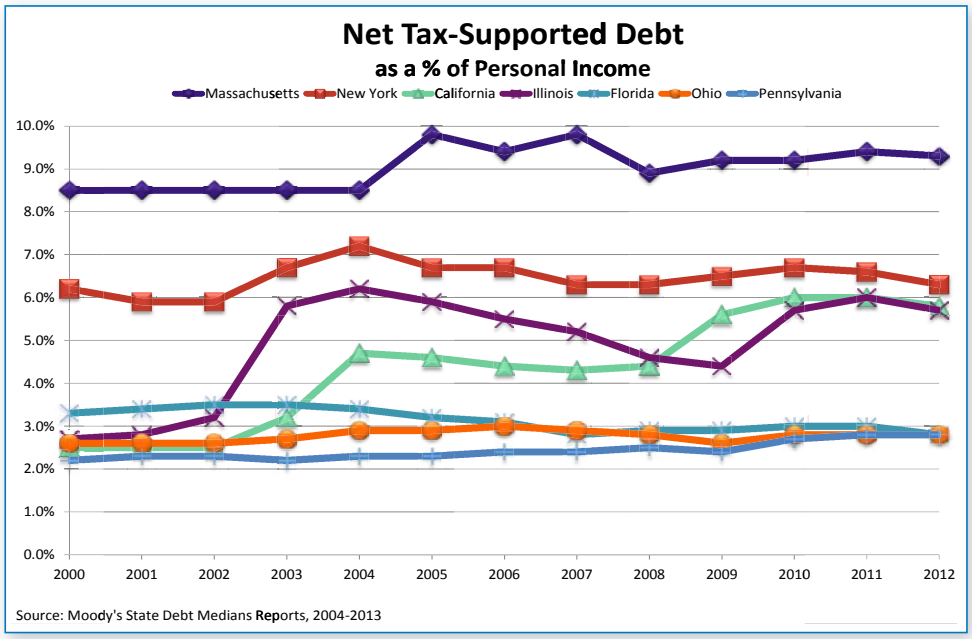
ILLINOIS' RATINGS HISTORY

This chart illustrates the rating history of State of Illinois GO bonds since 1990. As illustrated to the right, initial rating downgrades tended to occur after recessions began to weaken the state's fiscal

— continued on next page

position. Further downgrades following a recession would occur if the state showed limited willingness to address the fiscal situation. Rating upgrades in the late 1990s were due to improving cash positions, decreasing Medicaid backlogs, declining generally accepted accounting principles (GAAP) deficits, and good economic performance.

It is apparent from the chart that after the Fitch and Moody's downgrades in 2003 following the 2001 recession, in the rating agencies' eyes, the state never regained its fiscal footing sufficiently enough to merit upgrades. Persistent GAAP deficits and pension system funding challenges, along with limited budgetary surpluses and payment delays, were noted during this timeframe.



Since December 2008, the state's GO bonds have been downgraded four times by Fitch, four times by S&P, and five times by Moody's. Illinois also has a negative outlook – meaning the possibility for further downgrades persist – with Fitch and Moody's, as they remain concerned by the state's fiscal position.

STANDARD AND POOR'S

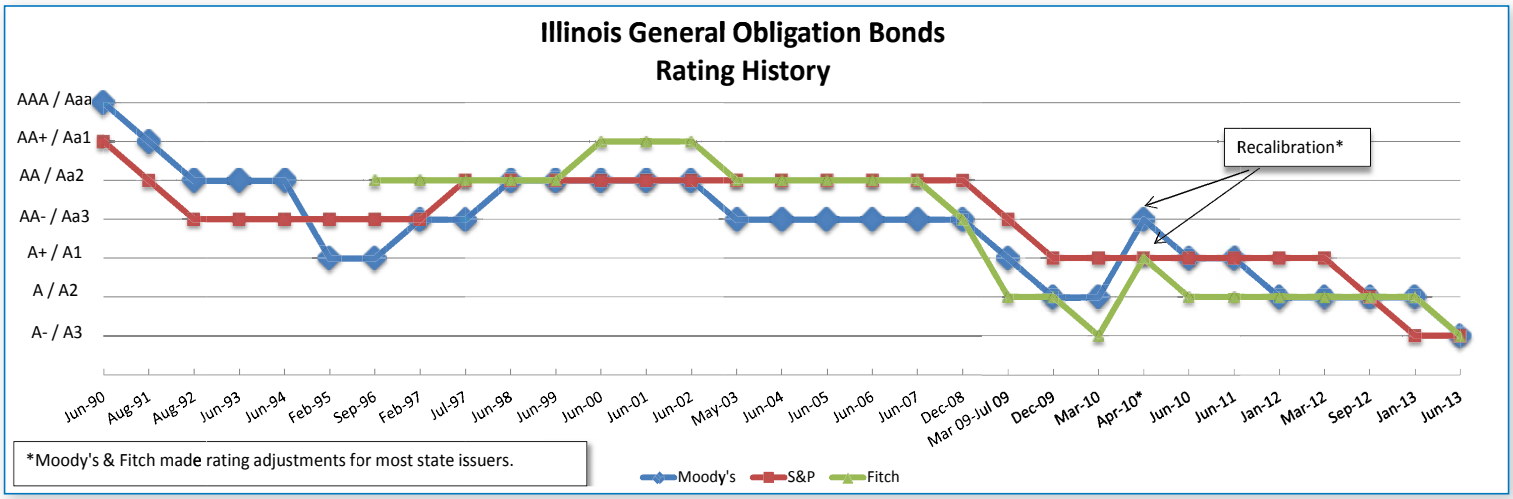
On December 10, 2013, Standard & Poor's revised Illinois' GO credit outlook to A- with a developing outlook from A- with a negative outlook. The change followed the legislature's passage of P.A. 98-0599 (pension bill), and indicates that Illinois' rating could be raised or lowered within the next two years, depending on whether the changes are implemented and the state's structural budget issues are addressed, or if the law is invalidated by a court and budget problems are not solved.

S&P last changed Illinois' credit rating on January 25, 2013, lowering it to an A- with a negative outlook from an A with a negative outlook. S&P stated that the action "reflects what we view as the state's weakened pension funded ratios and lack of action on reform measures intended to improve funding levels and diminish cost pressures associated with annual contributions." S&P kept the negative outlook for the state's rating due to additional pension funding challenges and concern about the expiration of income tax increases in 2015.

The A- rating is one of the lower ratings that S&P gives state-level GO bonds. In the report, S&P listed the "deep and diverse economy" supported by Chicago, "above-average income levels," a statutory debt service payment priority, and the "almost unlimited ability to raise tax and other revenues due to [the state's] sovereign powers and the absence of constitutional revenue-raising limits" as positive qualities of the state's bonds. But it also expressed concern about the persistent budget deficits in recent years, even with the income tax increase; large GAAP basis deficits; large unfunded pension liabilities; and the "moderately high and growing debt burden" of the state.

S&P said that it could revise the outlook to stable if Illinois enacts pension reform that cuts costs to the state and takes meaningful steps toward structural budget balance over the next two years. However, it also cautioned that "[w]hile it is unusual for a state rating to fall into the 'BBB' category, lack of action on pension reform and upcoming budget challenges could result in further credit deterioration, particularly if it translates into weaker liquidity."

— continued on next page



FITCH

On June 3, 2013, Fitch downgraded Illinois' GO bonds' rating from an A to an A- with a negative outlook. Fitch noted: "The downgrade reflects the ongoing inability of the state to address its large and growing unfunded pension liability, most recently through the failure to pass pension reform during the regular legislative session that ended May 31, 2013. Fitch believes that the burden of large unfunded pension liabilities and growing annual pension expenses is unsustainable, and that failure to achieve reform measures despite the substantial focus on this topic exacerbates concern about management's willingness and ability to address the state's numerous fiscal challenges." It said that the negative outlook reflects the need for a permanent solution to the state's structural imbalance between spending and revenues, in addition to pension funding.

Fitch warned that maintaining the A- rating will require action before the scheduled expiration of the temporary income tax increases in fiscal year 2015. According to its report, "[d]eterioration in the state's financial position, as evidenced by excessive use of non-recurring revenues or additional payment deferrals would likely lead to a negative rating action." The rating was reaffirmed in December 2013.

MUNICIPAL DEBT DEFAULTS REMAIN RELATIVELY RARE AT THE LOCAL LEVEL

Although the number of defaults on rated municipal bonds (bonds issued by government units) increased during the recession, default rates on such bonds are still very low. Ratings agency Moody's Investor Service reported 11 defaults on its rated long-term bonds in 2010 and 2011. That average of 5.5 defaults per year compares with an average 1.5 defaults per year from 1970 to 2009, reflecting financial difficulties faced by municipalities during the recession. However, there have been only 71 municipal bond defaults on Moody's-rated bonds from 1970 to 2011, which indicates the general stability of the municipal bond market.

Municipal general obligation (GO) bonds have an even lower default risk within that category. Over the 41-year period studied by Moody's, only 5 of the 71 rated municipal bond defaults were on GO debt. The average cumulative default rate on investment-grade GO debt during that time was about 0.007%, compared to 0.083% for non-GO debt. Since GO bonds are secured by the full faith, credit, and taxing power of the issuer, they have a strong likelihood of being repaid. Non-GO bonds, which are secured by revenues from a project or other specified sources, have a slightly higher default rate, since the projects or revenue sources might not be as successful as anticipated.

Moody's expects municipal debt defaults to remain rare. Unlike some corporate issuers, municipalities usually have little to gain by defaulting, because their bonds are structured such that they have few refinancing risks, and debt service typically represents a low percentage of their total expenditures. Also, debt defaults could cause municipal issuers to be shut out from lending markets and face higher borrowing costs. However, Moody's cautions that another recession or federal debt crisis could cause municipal default rates to rise.

Source: Moody's Investors Service, "U.S. Municipal Bond Defaults and Recoveries, 1970-2011" (March 7, 2012).

BUILD AMERICA BONDS

Under the federal American Recovery and Reinvestment Act of 2009 (ARRA) and Illinois' Public Act 96-828, Illinois issued five series of Build America bonds in 2010 totaling $3.2 billion. Build America bonds were state general obligation bonds issued through the taxable market (instead of the tax-exempt market, so bond purchasers cannot claim a tax deduction on earnings) where pursuant to ARRA, the state expects to receive a cash subsidy payment from the United States Treasury on or about each interest payment date. Any cash subsidy payments received by the state are deposited into the State Treasury.

Originally, the subsidy payment to the state totaled 35% of the interest payment the state owed to the purchasers of the bonds. However the subsidy payments did not constitute the full faith and credit guarantee of the United States Government; they are only required to be paid by the United States Treasury under ARRA. The subsidy payments to issuers of these types of bonds were lowered by 8.7% when the 'sequestration' (federal budget) cuts were implemented on March 1, 2013. The state should receive more in 2014 as the budget cuts will only reduce these payments by 7.2% from the original amount, effective October 1, 2013.

In fiscal year 2012, $63.9 million in federal subsidies were deposited into the state's bond debt service account and in fiscal year 2013, $59.2 million was deposited.

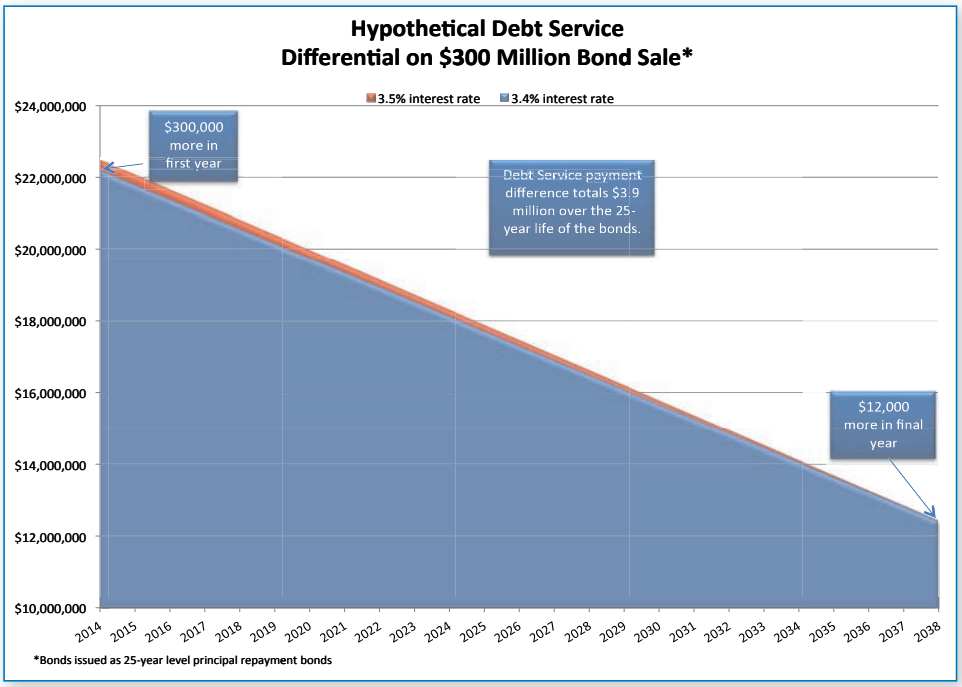
MOODY'S

In June 2013, Moody's revised Illinois' GO bonds' rating from an A2 with a negative outlook to an A3 with a negative outlook, citing the fact that the legislature adjourned its spring 2013 session without addressing the state's large pension liabilities. It also expressed concern about the state's bill backlog, especially with the coming expiration of the fiscal year 2011 income tax increases. According to its report, "An A3 rating, while very low for a U.S. state, is consistent with the General Assembly's inability to steer the state from a path to fiscal distress."

Moody's maintained its negative outlook

—continued on next page

because of its "expectation that Illinois' pension liabilities will continue to grow, in the absence of substantive reform efforts, and that annual funding requirements will become unmanageable, particularly if no steps are taken to address the loss of revenue from expiring income tax increases in 2015." Moody's noted that implementing a long-term pension funding plan and reducing the bill backlog could make the rating go up; but further pension funding problems, failure to address the coming tax rate decrease, and evidence of difficulty accessing the capital markets could make it go down. The rating was reaffirmed in December 2013.



IMPACT OF RATING CHANGES ON DEBT SERVICE COSTS

It is difficult to precisely measure the impact of a bond rating change on the price for which bonds are sold. Many factors impact the prices for which state GO bonds are sold, such as state tax laws (i.e., states that allow interest payments to be exempt from state income taxes will have lower interest rates than those that do not and states with higher tax rates will see a bigger interest rate reduction due to the tax exemption) and the amount of similar debt available in the market.

Additionally, many investors are aware of many of the same concerns that the rating agencies use as a rating basis. Therefore, even before a rating agency moves to lower a rating, the market may be aware of this deterioration in creditworthiness and take that into account in the pricing of bonds. So the actual downgrade may not actually impact the interest rates dramatically after a downgrade.

Previously, bond market watchers hypothesized that rating changes at higher bond rating categories might change prices by as much as 10 basis points (or 1/10th of a percent). The accompanying chart illustrates what that would cost an issuer on a $300 million "level principal" bond sale if average interest rates increased from 3.4 percent to 3.5 percent. (Under a "level principal" sale, an equal amount of principal is paid annually, along with interest, so annual debt service costs start out high and decrease every year. Ilinois law requires this type of payment for GO bonds).

It would roughly cost an issuer an additional $300,000 in the first year after issue, but as principal is paid off, the differential narrows to $12,000 by the last year the bonds are outstanding. Overall, the additional cost of an additional 10 basis points is $3.9 million over the life of the bond sale. Illinois is currently 3-4 rating "notches" below where it had been historically on the rating scale (it had been at an AA/Aa2 for many years)—and it is possible that lower down on the rating scale, further downgrades may trigger higher interest rate increases than downgrades for higher quality issues – which would add to the additional amount that Illinois is paying in debt service costs relative to its historical position.

LOOKING AHEAD TO ILLINOIS' RATINGS FUTURE

Illinois' GO bond ratings have struggled in the last decade as the state has had increasing debt burdens, budgetary challenges due to two fiscal crises, and pension payment issues. Fortunately, interest rates in the municipal bond market have been at very low levels, which have offset the financial impact of the rating downgrades.

What will it take to change the state's ratings? Several states have come back from low ratings, in some cases returning to AAA levels, and even Illinois received ratings upgrades in the latter half of the 1990s after the state dealt with the challenges of the early 1990s recession. Analyses from the three rating agencies make it clear that Illinois will have to focus on reducing its backlog of unpaid bills, addressing the structural imbalance in the state's budget, and dealing with the state's pension funding challenges before a rating increase can be contemplated. A tall order indeed, but one that should be undertaken to restore stability to the state's finances and ensure a more promising future for the state's economy. ■

FISCAL FOCUS

Fiscal Focus is one of the ways the Comptroller's Office strives to assist taxpayers and the people of Illinois. This report is designed to provide fiscal information of general interest.

Editorial Staff: Alexis Sturm, Sara Wojcicki Jimenez, and Brad Hahn. Writers and Analysts: Alexis Sturm, Sarah Barlow, Bill Dracos, Stephanie Blair, Javier Cazares, Barton Lorimor, Aimee Ayers Mansfield, and Julie Higgerson. Production: Shelly Case, Susan Hansen, Frank Weitzel, Larry Olson, and Mark Lewis.

Fiscal Focus is published by Comptroller Judy Baar Topinka, 201 State House, Springfield, Illinois 62706. Questions or comments may be directed to (217)782-6000.

Web Address: **www.illinoiscomptroller.com**

In compliance with the Americans with Disabilities Act, this document may be requested in alternative formats by contacting the Office of the Comptroller at (217)782-6000 or calling the IOC Telecommunications Device for the Deaf (TDD) number, (217)782-1308, or by visiting the Illinois State Capitol Building, 201 State House, Springfield, Illinois.

The Illinois Office of the Comptroller is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, marital status, national origin, ancestry, age or disability in employment or in the provision of any services, programs or activities.

Reproduction of articles from this issue or portions thereof is allowed with proper attribution to Fiscal Focus, Illinois Office of the Comptroller.

Printed by Authority of the State of Illinois, 12/19/13, 840, Job 43921

Pension Bonds Free Up Money, at a Cost

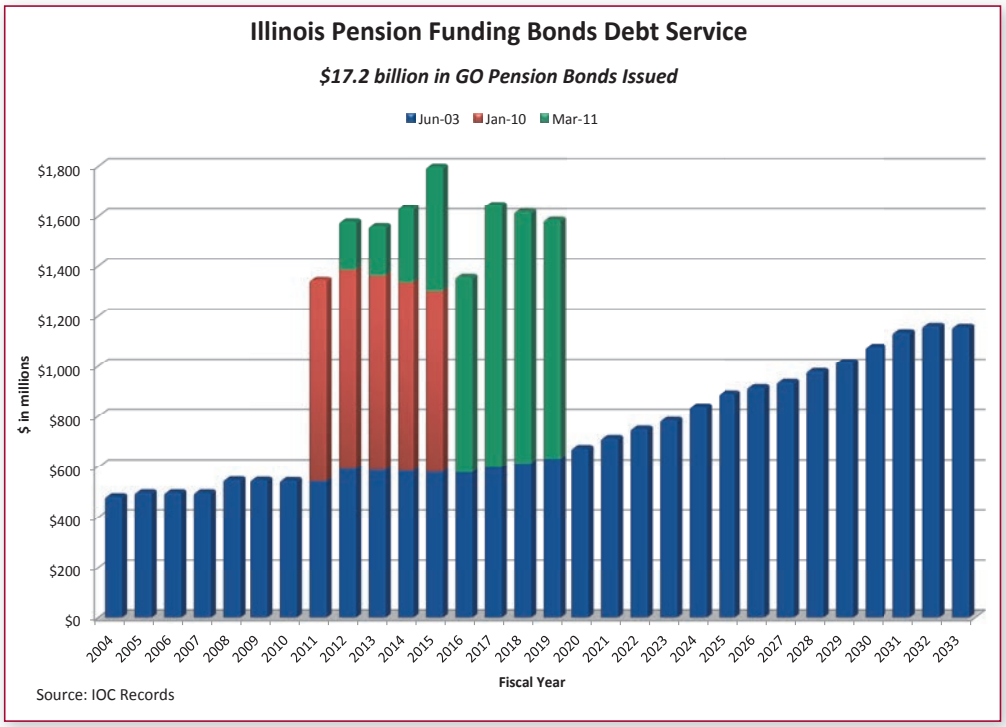
TAXPAYERS WILL PAY FOR THE NEXT 20 YEARS

In the last 10 years, the state of Illinois has issued $17.2 billion in general obligation pension bonds that taxpayers will not completely pay off until 2033. For the majority of those years, taxpayers will pay at least $1 billion in debt service on those bonds. That is money in an already tight budget that won't be spent elsewhere.

There are two reasons the state might decide to provide funds to pension systems through the issuance of bonds. Bond monies can make the state's employer pension contribution for the year, thus freeing additional General Funds revenues for other operational expenditures. Plus, bond profits could help the pension systems' financial health if investment returns on bond proceeds are higher than the debt service costs. This sometimes happens in the municipal bond market because of its lower interest rates.

However, the rationales for issuing bonds come with significant drawbacks. Issuing bonds to ease budget pressures only pushes the state's employer contribution into future years. At that point, the state will also be making debt service payments as well as the annual contribution. Counting on bonds to produce a profit can also backfire if there is a market downturn. This would leave the state having to pay the debt service costs out of the budget – instead of using profits – and increase the unfunded pension liability.

Since June 2003, Illinois has issued three series of pension bonds. The largest, which was worth $10 billion in June 2003, was followed by issues of $3.5 billion in January 2010 and $3.7 billion in March 2011. Each issue produced enough revenue to allow the state to make its employer's contribution for the respective year instead of using General Funds revenues. The June 2003 issue also contained $7.3 billion in supplemental funding to the pension systems and $500 million for debt service costs.



HAS THE ISSUANCE OF PENSION BONDS BEEN GOOD POLICY FOR ILLINOIS?

Pension bond debt service is a significant burden on the current budget. Debt service on the three previously mentioned pension bond issues will exceed $1.6 billion in fiscal year 2014. Under the retirement schedule, debt service will not drop below $1.3 billion until fiscal year 2020 when both the 2010 and 2011 issues will have matured.

Two of the three issues have debt service schedules that push the bulk of the principal payments towards the end of the bonds' maturity. The 2003 issue included bonds with 2033 maturity dates. Retirement of the principal began in fiscal year 2008, but 48 percent of the principal payments are due between fiscal years 2029 and 2033. The 2011 issue included bonds with maturity dates through fiscal year 2019. Forty-nine percent of the principal is to be retired during fiscal years 2018 and 2019. Only the 2010 issue has level payment of principal over a five-year maturity period.

The state is paying relatively low interest rates for each of these bond issues. The average interest rates range from 3.85 percent for the 2010 issue, 5.56 percent on the 2011 issue, and 5.05 percent for the 2003 issue. From an arbitrage point of view, the 2003 issue appeared to be a successful gamble for four years thanks to double digit investment returns each of these years. Unfortunately, those gains were wiped out with the massive decline in market values during fiscal years 2008 and 2009. Investment yields turned positive for fiscal years 2010 and thereafter, but the overall success of pension bonds will depend on the extent the economy and financial markets are able to recover from the recession and investment returns over the remaining life of the bonds. ■

State Authorities Assist with Debt

MOST DEBT SERVICE ENTIRELY REPAID BY UNDERLYING ENTITY

Aging buildings and infrastructure tend to be less safe, more expensive to maintain, or in need of expansion to better serve their purposes.

That is an issue leaders in the public and private sectors face on a regular basis. However, these same leaders are still trying to make up for lost revenues that resulted from the Great Recession. And often that means those projects, though needed or potentially beneficial, are put on the shelf for another day.

Hoping to address the ever-expanding list of backlogged public construction projects, Illinois lawmakers passed a capital plan in 2009 that was expected to raise $31 billion from a number of tax increases and bond sales. The package has put laborers desperate for work back on the job and replaced some of the state's deteriorating infrastructure.

But the state is not the only entity in Illinois that issues debt for capital investments. That's why some groups have sought assistance from one of the state's bonding authorities charged with encouraging economic growth.

These "quasi-state agencies" are granted authority to issue conduit debt (i.e., the debt service is entirely repaid by the underlying entity with no state assistance) on behalf of private companies, hospitals, public and private colleges and universities, not-for-profits, and local governments. Some of the authorities also have authority to issue "contingent" and "moral obligation" debt, which in some circumstances may call upon state revenues to be repaid. Many of the bond authorities can issue bonds where the interest payments to bondholders are exempt from Illinois income taxes, which may reduce the borrowing costs of the entities issuing through the authorities.

In 2013, the largest of these agencies, the Illinois Finance Authority (IFA), issued nearly $2.1 billion in bonds for projects and to refinance higher interest debt. At the end of fiscal year 2013, indebtedness of the authority approximated $24.5 billion. Proceeds from recent bond sales financed the construction of educational facilities at Loyola University and the University of Chicago, and assisted healthcare facilities and senior housing facilities.

Another statewide bond authority, the Illinois Housing Development Authority, can issue bonds to provide better housing for low to moderate income households, limited to $3.6 billion outstanding at any one time. Bond issues are not obligations of the state. Certain bonds issued by the Authority may be covered by the state's moral obligation pledge, in which the state may be asked to cover the debt if revenues supporting the bonds fall short, but this is granted by the Governor at the time of the original bond issue and currently covers very few IHDA bonds. Indebtedness of the authority totaled $1.76 billion at the end of fiscal year 2013.

A number of smaller bonding authorities have more limited jurisdiction. As shown in the table (to the left), there are at least 11 authorized development authorities

— continued on page 12

Regional Economic Development Authorities

Authority	Jurisdiction	Bond Authorization Limit ($ in millions)	Outstanding Debt End of FY13 ($ in millions)
Southwestern Illinois Development Authority	Madison, St. Clair, Bond, and Clinton counties	Unlimited	$716.3
Upper Illinois River Valley Development Authority	Grundy, LaSalle, Bureau, Putnam, Kendall, Kane, McHenry, and Marshall counties	500.0	110.3
Quad Cities Regional Economic Development Authority	Jo Daviess, Carroll, Whiteside, Stephenson, Lee, Rock Island, Henry, Knox, and Mercer counties	250.0	81.7
Will-Kankakee Regional Development Authority	Will and Kankakee counties	250.0	27.8
Western Illinois Economic Development Authority	Warren, Henderson, Hancock, McDonough, Fulton, Mason, Cass, Schuyler, Brown, Adams, Scott, Morgan, and Pike counties	250.0	18.6
Southeastern Illinois Economic Development Authority	Fayette, Cumberland, Clark, Effingham, Jasper, Crawford, Marion, Clay, Richland, Lawrence, Jefferson, Wayne, Edwards, Wabash, Hamilton, and White counties; and Irvington Township in Washington County	250.0	8.9
Tri-County River Valley Development Authority	Peoria, Tazewell, and Woodford counties	100.0	0.0
Eastern Illinois Economic Development Authority	Ford, Iroquois, Piatt, Champaign, Vermilion, Douglas, Moultrie, Shelby, Coles, and Edgar counties	250.0	0.0
Central Illinois Economic Development Authority	Macon, Sangamon, Menard, Logan, Christian, DeWitt, Macoupin, Montgomery, Calhoun, Greene, and Jersey counties	250.0	0.0
Southern Illinois Economic Development Authority	Franklin, Perry, Randolph, Jackson, Williamson, Saline, Gallatin, Union, Johnson, Pope, Hardin, Alexander, Pulaski, and Massac counties	250.0	0.0
Joliet Arsenal Development Authority	3,000 acres occupied by the ammunition plant in Joliet	100.0	0.0

State Borrows to Pay Federal Government

ILLINOIS ISSUES $1.47 BILLION IN UNEMPLOYMENT TRUST FUND BONDS

Repaying federal debts is now up to an eight-year task for the state of Illinois.

Illinois' Department of Employment Security, with the assistance of the Governor's Office of Management and Budget (GOMB), issued in July 2012 nearly $1.47 billion in revenue bonds to reimburse the federal government for mounting debts incurred through the state's unemployment insurance program.

The bonds were issued under authority provided by Public Act 97-621. Among other things, the Act authorized up to $2.4 billion in bonds to cover the debt.

Officials said before the offering they believed the bond market would provide a fairly low interest rate to repay the federal loan. In the end, the bonds were issued at an interest rate of approximately 2.2 percent. The final maturity date was scheduled to be June 15, 2021, although many of the bonds are callable before then if surplus revenues are available to make the payments. In fact, the longest piece, Series 2012C, was paid off early in June 2013. If the bonds are called early, the final interest rate on the bonds is expected to be closer to 1.46 percent. The bonds will be repaid from the fund-building rate that is part of employers' state unemployment insurance tax rate. As of June 30, 2013, $1.267 billion remained outstanding.

The new revenue should shield Illinois business owners from a federal unemployment tax increase that would have repaid the debt directly and possible interest penalties due to the extended shortfall in the fund. Because business owners are responsible for paying federal unemployment taxes, they would be the ones affected had Illinois' tax rate been adjusted to honor the loan. Issuing the bonds is expected to save businesses more than $400 million over the next few years.

As was the situation in many states suffering from months of double-digit unemployment rates throughout the recession, demand for the out-of-work benefits surpassed the amount of money available in the state's Unemployment Trust Fund. Federal officials extended loans to the states in order to expand the program's availability. All told, as of December 10, 2013, states still owe $20.2 billion to the federal government for unemployment program loans, according to the U.S. Department of Labor.

While there had been some discussion at the federal level of giving states more time to repay their loans without penalties, Illinois budget hawks decided to explore the bond market in the event states would be held to their debts.

Though Colorado, Idaho, Michigan, Pennsylvania, and Texas have issued bonds for the same reason, a number of other states, such as California and Indiana, have opted to let their business communities assume responsibility for the debt. A federal offset program has recaptured $51.2 million in New York unemployment insurance abuse, which does not cover the entirety of the $3 billion loan. Lawmakers in North Carolina cut unemployment benefits to pay off the state's federal loan.

This is not the first time Illinois has relied on bonds to repay the federal government for an unemployment insurance loan. In 2004, Illinois issued $712 million in bonds for that purpose that were repaid within two years. ■

continued from page 11—

STATE AGENCIES ASSIST WITH DEBT

with jurisdiction over specific areas of the state, governed by boards ranging in size from 10 to 27 members. They may sell bonds for specified purposes, such as to help finance construction projects, industrial development, airport and port district improvements, or expansion of commerce. In general, bonds issued by those authorities are not considered obligations of the State, and are backed by the revenues of the underlying entity issuing the bonds. Statutes governing some of the authorities allow them to issue bonds covered by the state's moral obligation pledge in certain situations, but that is granted rarely. The most recent moral obligation bond issue was in October 2010, when the Illinois Finance Authority issued debt under the Financially Distressed Cities Law for East St. Louis to refund some earlier bonds.

In addition, there are authorities with similar goals and powers created in statute, but that do not currently have appointed board members. Such authorities include the Illinois Urban Development Authority and the Riverdale Development Authority. There are also at least two redevelopment commissions that may issue bonds—the Chanute-Rantoul National Aviation Center Redevelopment Commission and the Fort Sheridan Redevelopment Commission.

The state also has other authorities that issue bonds for very specific purposes backed by specific locally imposed taxes. These include the Illinois Sports Facilities Authority, which issued the bonds for U.S. Cellular Field and the Soldier Field stadium remodel in Chicago, and the Metropolitan Pier and Exposition Authority that has issued bonds for the McCormick Place convention center complex. ■

GENERAL FUNDS REVENUES
(Dollars in Millions)

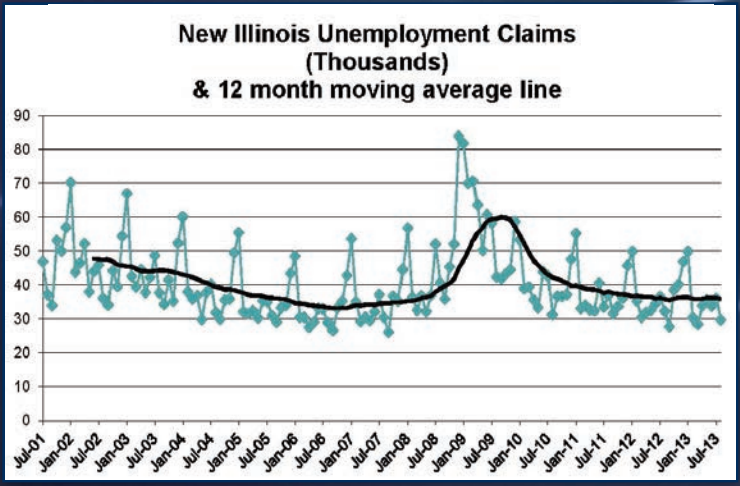
	Sept. 2013	FY 2014	Three Months Change from Prior Year $	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	$ 1,426	$ 3,609	$ 205	6.0 %
Corporate	507	636	75	13.4
Total, Income Taxes	1,933	4,245	280	7.1
Sales Taxes	633	1,939	139	7.7
Other Sources:				
Public Utility Taxes	70	239	(6)	(2.4)
Cigarette Taxes	29	88	20	29.4
Inheritance Tax (gross)	12	46	(48)	(51.1)
Liquor Gallonage Taxes	14	43	0	0.0
Insurance Tax and Fees	63	86	20	30.3
Corporation Franchise Tax and Fees	21	52	3	6.1
Investment Income	2	4	1	33.3
Cook County IGT	0	0	0	0.0
Other	100	175	72	69.9
Total, Other Sources	311	733	62	9.2
Total, Cash Receipts	$ 2,877	$ 6,917	$ 481	7.5 %
Transfers In:				
Lottery Fund	$ 56	$ 143	$ 3	2.1 %
State Gaming Fund	46	108	(5)	(4.4)
Other Funds	32	583	191	48.7
Total, Transfers In	$ 134	$ 834	$ 189	29.3 %
Total, State Sources	$ 3,011	$ 7,751	$ 670	9.5 %
Federal Sources	$ 255	$ 732	$ (184)	(20.1) %
Total, Base Revenues	**$ 3,266**	**$ 8,483**	**$ 486**	**6.1 %**
Short Term Borrowing	0	0	0	0.0
Transfer from Budget Stabilization Fund	0	275	0	0.0
Total, Revenues	**$ 3,266**	**$ 8,758**	**$ 486**	**5.9 %**

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

	Sept. 2013	FY 2014	Three Months Change from Prior Year $	%
By Agency:				
Healthcare and Family Services	$ 572	$ 1,233	$ (1,056)	(46.1) %
State Board of Education	790	1,408	30	2.2
Human Services	256	892	(193)	(17.8)
Teachers Retirement	295	885	177	25.0
University Retirement System	126	301	(60)	(16.6)
All Other Higher Education	278	583	15	2.6
Corrections	89	317	(5)	(1.6)
State Employees Retirement System	91	274	6	2.2
Central Management Services	11	1,360	865	174.7
Children and Family Services	25	197	(72)	(26.8)
Aging	66	261	(76)	(22.6)
State Police	21	67	6	9.8
All Other	123	484	(235)	(32.7)
Total	$ 2,743	$ 8,262	$ (598)	(6.7) %
Regular Transfers Out	681	1,351	250	22.7
Prior Year Adjustments	(2)	(5)	(2)	66.7
Vouchers Payable Adjustment	(87)	(858)	1,075	N/A
Total, Base Expenditures	**$ 3,335**	**$ 8,750**	**$ 725**	**9.0 %**
Transfers to Repay Budget Stabilization	0	0	0	0.0
Transfers to Repay Interfund Borrowing	0	0	(133)	(100.0)
Transfers to Repay Short-Term Borrowing	0	0	0	0.0
Total, Expenditures	**$ 3,335**	**$ 8,750**	**$ 592**	**7.3 %**

General Funds
End of Month Cash Balances and Payables
September 2013
($ in millions)

	Cash Balance	Payables
General Revenue (001)	$ 43.1	$ 3,709.6
Common School Special Account (005)	79.6	0.0
Education Assistance Fund (007)	23.4	470.6
Common School (412)	15.9	423.1
Total, General Funds	**$ 162.0**	**$ 4,603.3**



GENERAL FUNDS REVENUES
(Dollars in Millions)

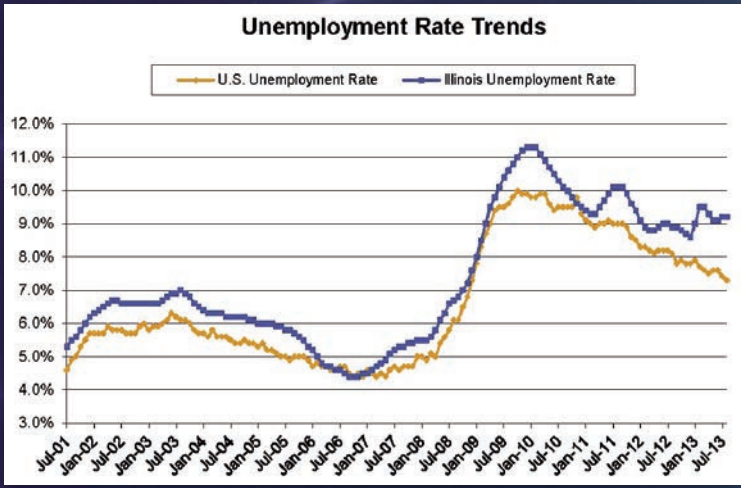
	Oct. 2013	Four Months FY 2014	Change From Prior Year $	Change From Prior Year %
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	$ 1,158	$ 4,766	$ 196	4.3 %
Corporate	150	786	70	9.8
Total, Income Taxes	1,308	5,552	266	5.0
Sales Taxes	640	2,579	150	6.2
Other Sources:				
Public Utility Taxes	84	323	(7)	(2.1)
Cigarette Taxes	29	118	8	7.3
Inheritance Tax (gross)	36	82	(39)	(32.2)
Liquor Gallonage Taxes	13	56	0	0.0
Insurance Tax and Fees	4	90	1	1.1
Corporation Franchise Tax and Fees	19	71	(2)	(2.7)
Investment Income	2	6	2	50.0
Cook County IGT	0	0	0	0.0
Other	32	207	70	51.1
Total, Other Sources	219	953	33	3.6
Total, Cash Receipts	$ 2,167	$ 9,084	$ 449	5.2 %
Transfers In:				
Lottery Fund	$ 59	$ 201	$ 15	8.1 %
State Gaming Fund	24	132	(8)	(5.7)
Other Funds	44	628	186	42.1
Total, Transfers In	$ 127	$ 961	$ 193	25.1 %
Total, State Sources	$ 2,294	$ 10,045	$ 642	6.8 %
Federal Sources	$ 254	$ 986	$ (233)	(19.1) %
Total, Base Revenues	**$ 2,548**	**$ 11,031**	**$ 409**	**3.9 %**
Short Term Borrowing	0	0	0	0.0
Transfer from Budget Stabilization Fund	0	275	0	0.0
Total, Revenues	**$ 2,548**	**$ 11,306**	**$ 409**	**3.8 %**

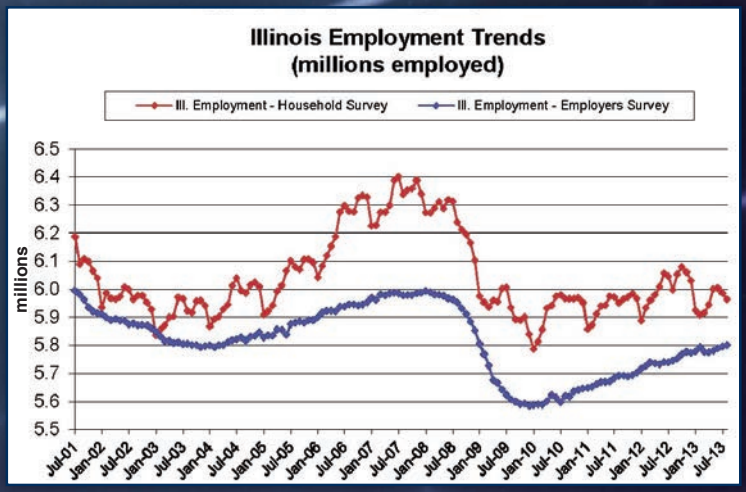
GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

	Oct. 2013	Four Months FY 2014	Change From Prior Year $	Change From Prior Year %
Expenditures:				
By Agency:				
Healthcare and Family Services	$ 615	$ 1,848	$ (1,242)	(40.2) %
State Board of Education	484	1,892	42	2.3
Human Services	329	1,220	(148)	(10.8)
Teachers Retirement	295	1,180	239	25.4
University Retirement System	127	427	29	7.3
All Other Higher Education	311	895	29	3.3
Corrections	146	463	40	9.5
State Employees Retirement System	91	366	12	3.4
Central Management Services	1	1,362	862	172.4
Children and Family Services	79	275	(79)	(22.3)
Aging	110	371	(46)	(11.0)
State Police	16	82	(6)	(6.8)
All Other	133	617	(220)	(26.3)
Total	$ 2,737	$ 10,998	$ (488)	(4.2) %
Regular Transfers Out	414	1,765	313	21.6
Prior Year Adjustments	(2)	(6)	(3)	100.0
Vouchers Payable Adjustment	(694)	(1,552)	853	N/A
Total, Base Expenditures	**$ 2,455**	**$ 11,205**	**$ 675**	**6.4 %**
Transfers to Repay Budget Stabilization	0	0	0	0.0
Transfers to Repay Interfund Borrowing	0	0	(133)	(100.0)
Transfers to Repay Short-Term Borrowing	0	0	0	0.0
Total, Expenditures	**$ 2,455**	**$ 11,205**	**$ 542**	**5.1 %**

General Funds
End of Month Cash Balances and Payables
October 2013
($ in millions)

	Cash	Payables
General Revenue (001)	$ 83.6	$ 4,255.3
Common School Special Account (005)	87.6	0.0
Education Assistance Fund (007)	54.9	618.9
Common School (412)	28.8	423.0
Total, General Funds	**$ 254.9**	**$ 5,297.3**





GENERAL FUNDS REVENUES
(Dollars in Millions)

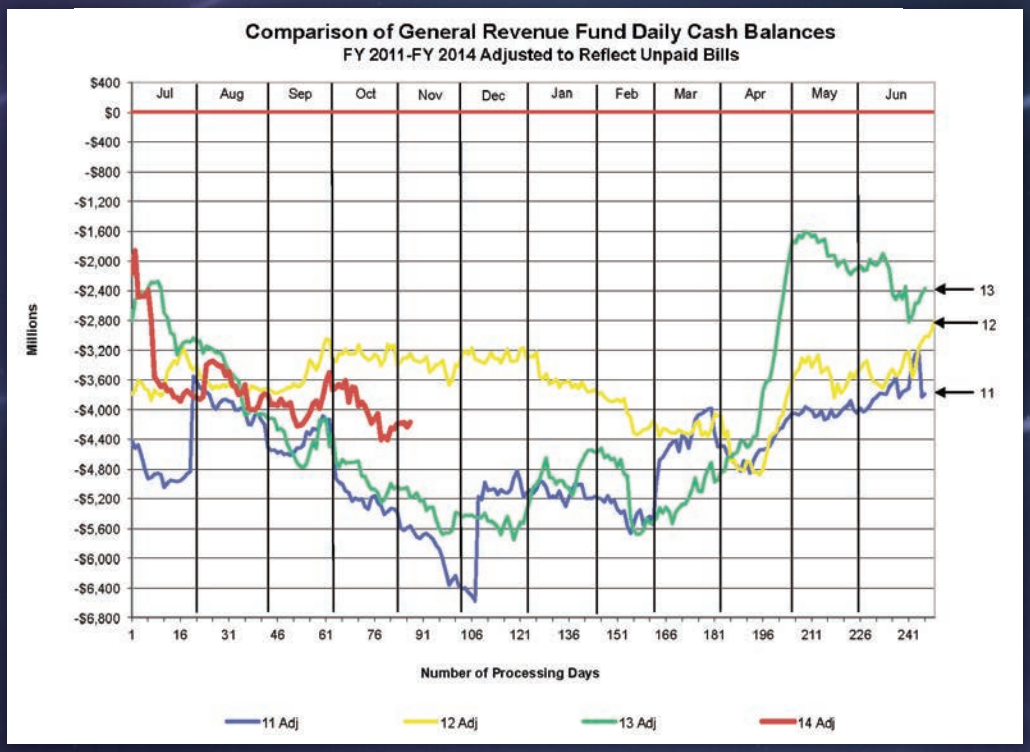
	Nov. 2013	FY 2014	Five Months Change From Prior Year $	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	$ 1,012	$ 5,779	$ 150	2.7 %
Corporate	42	828	68	8.9
Total, Income Taxes	1,054	6,607	218	3.4
Sales Taxes	624	3,203	164	5.4
Other Sources:				
Public Utility Taxes	66	389	(12)	(3.0)
Cigarette Taxes	29	147	2	1.4
Inheritance Tax (gross)	29	111	(24)	(17.8)
Liquor Gallonage Taxes	15	71	0	0.0
Insurance Tax and Fees	3	93	4	4.5
Corporation Franchise Tax and Fees	16	86	(7)	(7.5)
Investment Income	1	7	0	0.0
Cook County IGT	26	26	(30)	(53.6)
Other	26	233	66	39.5
Total, Other Sources	211	1,163	(1)	(0.1)
Total, Cash Receipts	$ 1,889	$ 10,973	$ 381	3.6 %
Transfers In:				
Lottery Fund	$ 36	$ 237	$ (8)	(3.3) %
State Gaming Fund	33	165	(22)	(11.8)
Other Funds	47	675	206	43.9
Total, Transfers In	$ 116	$ 1,077	$ 176	19.5 %
Total, State Sources	$ 2,005	$ 12,050	$ 557	4.8 %
Federal Sources	$ 222	$ 1,208	$ (187)	(13.4) %
Total, Base Revenues	**$ 2,227**	**$ 13,258**	**$ 370**	**2.9 %**
Short Term Borrowing	0	0	0	0.0
Transfer from Budget Stabilization Fund	0	275	0	0.0
Total, Revenues	**$ 2,227**	**$ 13,533**	**$ 370**	**2.8 %**

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

	Nov. 2013	FY 2014	Five Months Change From Prior Year $	%
Expenditures:				
By Agency:				
Healthcare and Family Services	$ 569	$ 2,417	$ (1,319)	(35.3) %
State Board of Education	478	2,370	59	2.6
Human Services	213	1,433	(211)	(12.8)
Teachers Retirement	303	1,483	309	26.3
University Retirement System	66	493	10	2.1
All Other Higher Education	204	1,099	25	2.3
Corrections	95	558	39	7.5
State Employees Retirement System	92	457	16	3.6
Central Management Services	5	1,367	866	172.9
Children and Family Services	26	302	(78)	(20.5)
Aging	55	426	(74)	(14.8)
State Police	21	103	(1)	(1.0)
All Other	135	752	(218)	(22.5)
Total	$ 2,262	$ 13,260	$ (577)	(4.2) %
Regular Transfers Out	279	2,044	154	8.1
Prior Year Adjustments	(47)	(53)	(49)	1,225.0
Vouchers Payable Adjustment	(171)	(1,723)	1,080	N/A
Total, Base Expenditures	**$ 2,323**	**$ 13,528**	**$ 608**	**4.7 %**
Transfers to Repay Budget Stabilization	0	0	0	0.0
Transfers to Repay Interfund Borrowing	0	0	(133)	(100.0)
Transfers to Repay Short-Term Borrowing	0	0	0	0.0
Total, Expenditures	**2,323**	**13,528**	**475**	**3.6**

General Funds
End of Month Cash Balances and Payables
November 2013
($ in millions)

	Cash	Payables
General Revenue (001)	$ 48.3	$ 4,447.1
Common School Special Account (005)	80.5	0.0
Education Assistance Fund (007)	13.5	663.5
Common School (412)	16.9	423.0
Total, General Funds	**$ 159.2**	**$ 5,533.6**



Fiscal Focus

Comptroller Judy Baar Topinka
201 State Capitol
Springfield, Illinois 62706-0001

Comptroller Judy Baar Topinka

WWW.ILLINOISCOMPTROLLER.COM

Like Comptroller Topinka's page on Facebook

https://www.facebook.com/Comptroller.Judy.Baar.Topinka

Did you know?

- At the end of fiscal year 2013, Illinois had $26.87 billion in general obligation bonds outstanding, including $14.686 billion of general obligation pension funding bonds.
- General obligation bond debt service totaled approximately $2.97 billion in FY 2013, of which $1.4 billion was for capital related bonds.
- Since December 2008, the state's general obligation bonds have been downgraded four times by Fitch, four times by Standard & Poor's, and five times by Moody's.
- Illinois issued nearly $1.47 billion in revenue bonds in 2012 to reimburse the federal government for debts incurred through the state's unemployment insurance program.
- According to a 2013 report by Moody's looking at all states, Illinois was 9th in debt per capita and 10th in debt as a percent of personal income overall. ■