Fiscal Focus

A Publication of the Illinois State Comptroller

DANIEL W. HYNES
COMPTROLLER
www.ioc.state.il.us

• APRIL 2008 ISSUE •

In This Issue:

Illinois' Long-Term Debt

The State of Illinois borrows in the financial market for various purposes. Long-term bonds are typically issued to finance the costs of projects with a longer useful life like road and bridge construction and repairs, new buildings, and school construction. 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 vote of each house of the General Assembly or by the majority of electors voting in a general election. Issuance of the state's bonds has been primarily the responsibility of the Governor's Office of Management and Budget (GOMB). Additionally, 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.

This article provides an overview of the direct long-term debt of Illinois (i.e., general obligation and special obligation bonds). For additional information on this type of debt, or other debt issued by state agencies and authorities, the Office of the Comptroller's Bonded Indebtedness and Long-Term Obligations 2007 Annual Report was recently published and is available on the office's Web site.

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 from all available resources. In practice, the debt service on the bonds is repaid primarily from the General Revenue Fund (GRF), the Road Fund and the School Infrastructure Fund (SIF).

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 2007, $19.9 billion in general obligation bonds was outstanding, including $10 billion of general obligation pension funding bonds. The pension funding bonds were issued in June 2003 and greatly increased the amount of state general obligation debt. (See article on page 2.) The accompanying graphs on page 3 include the amount of GO bonds outstanding at the end of each fiscal year and the yearly bond sales for the last 10 years.

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FROM THE COMPTROLLER

Dear Readers:

This issue of *Fiscal Focus* examines the State of Illinois' long-term debt. While it is not a glamorous topic, the management of long-term debt is a vitally important issue for both current and future Illinois taxpayers. Selling bonds can raise significant sums of money for capital projects, and spread the repayment of principal and interest out over future years. The challenge is to find a balance so that future taxpayers are not left with an inordinate amount of debt to repay.

At the end of fiscal year 2007, Illinois' outstanding general obligation bonds totaled $19.9 billion, including $10 billion in pension funding bonds. According to Moody's Investor Services, Illinois' net tax-supported debt per capita was $1,985 which ranked 7th highest nationwide. When measured using net tax-supported debt as a percentage of personal income, Illinois' rank jumped from 20th in 2000 to 6th highest in 2007.

The amount of bonds authorized to be sold is established by laws enacted by the legislature. Typically, the kinds of capital projects supported by bond sales include roads and bridges, state agency, university and correctional facilities, elementary and secondary schools, and environmental and conservation projects. Illinois has not had a major capital bond authorization since 2002, and consequently, the number of construction projects has fallen off over the past few years. Lawmakers and the Governor are currently debating the scope of a new capital plan and how to fund it.

Your comments about this or any of our other publications are welcome. Your input can be directed to (217) 782-6000 in Springfield, (312) 814-2451 in Chicago, or via the web site at www.ioc.state.il.us.

Sincerely,

Daniel W. Hynes
State Comptroller

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.

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

Web Address: http://www.ioc.state.il.us

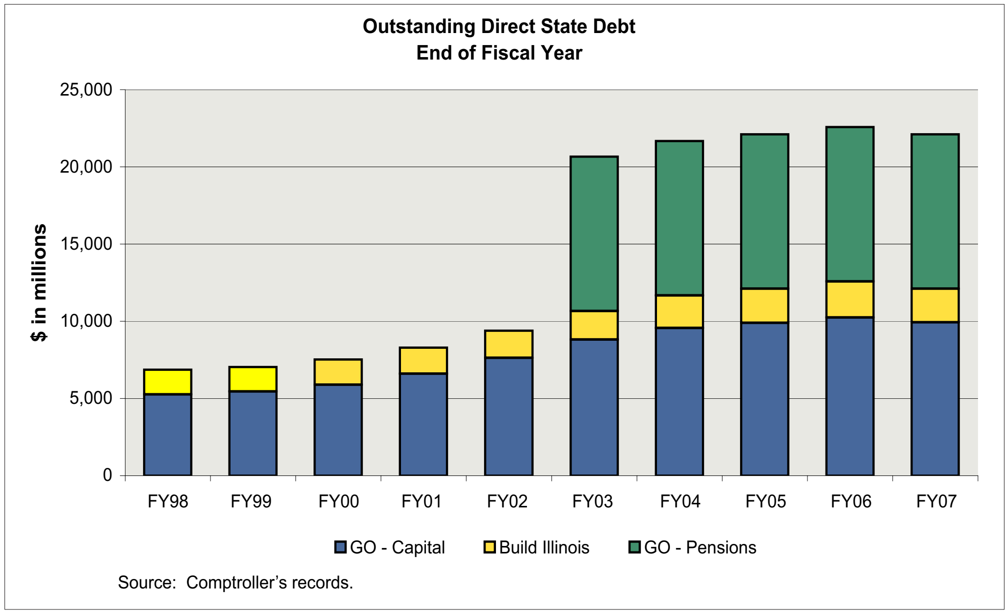
Printed by Authority of the State of Illinois
4/17/08 - 2,900, Job 40124

Pension Obligation Bonds: A Four-Year Review

On June 12, 2003, Illinois issued $10 billion in pension funding general obligation bonds with maturities of up to 30 years. The bond proceeds provided funds to the state pension systems, as well as monies for budget relief during fiscal years 2003 and 2004. The pension systems' share was $7.3 billion allotted to the five systems in proportion to their unfunded pension liabilities. Most of the remaining proceeds provided budget relief by covering the state's share of pension contributions for the fourth quarter of fiscal year 2003 and for fiscal year 2004, as well as interest for the first year of the bonds' debt service. Bond proceeds also paid for the bonds issuance costs. (A more detailed discussion of the pension bonds is contained in the February 2005 edition of *Fiscal Focus)*.

Currently, actuaries expect an annual return on investments of 8.5% for the State Employees', Universities, and Teachers' Retirement Systems. If these rates of return are achieved on average, the systems will be net gainers as the return on investments will be well in excess of the average 5.05% rate of interest on the borrowed funds. Another possible advantage of issuing pension bonds is that they have a payment schedule that must be honored in contrast to direct payments to the pension systems where pension payments are determined by legis-

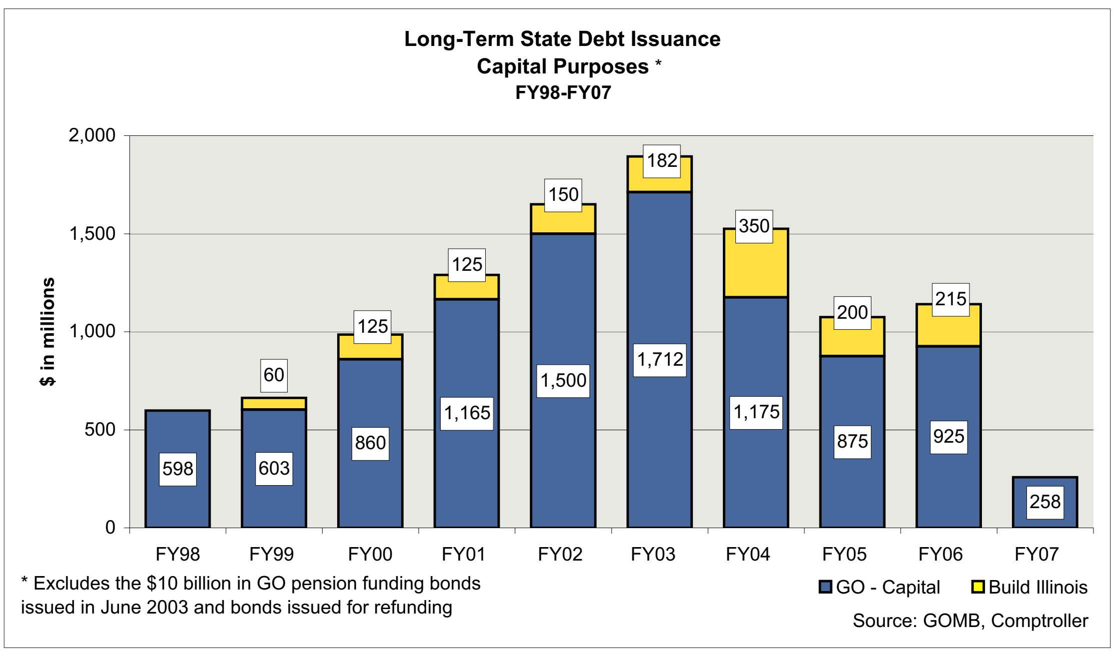
Pension Obligation Bonds *continued, page 6*



Source: Comptroller's records.

At the end of fiscal year 1998, just under $5.3 billion in GO bonds was outstanding. The amount outstanding has increased more or less steadily throughout the last 10 years as the bonds to fund the Illinois FIRST (Fund for Infrastructure, Roads, Schools & Transit) construction program were sold beginning in fiscal year 2000. Peak issuance for bonds was in fiscal year 2003 when $1.7 billion GO bonds were sold for capital projects. Additionally, $10 billion in pension funding GO bonds were issued that year.

In recent years, there has been a marked slowdown in bond issuance, with only $258 million sold in fiscal year 2007. This is primarily due to a near exhaustion of available authority to issue bonds. As noted earlier, legislation authorizing the issuance of state debt requires the approval of three-fifths of both houses of the General Assembly. There has not been any significant increase in bond authorization for capital projects since June 2002, nearly six years ago. The drop in bond issuance translated to a slight drop in outstanding bonds at the end of fiscal year 2007 when compared to a year earlier.



* Excludes the $10 billion in GO pension funding bonds issued in June 2003 and bonds issued for refunding

Source: GOMB, Comptroller

Debt service on GO bonds issued for construction purposes has leveled out as the issuance of bonds has slowed. As shown in the graph on page 4, debt service payments on GO bonds increased steadily for the first half of the time frame. Notable was the increase in debt service paid by transfers from SIF. SIF receives revenues tied to telecommunications, liquor and cigarette taxes to support the repayment of bonds issued for the School Construction Grant Program, with the first bonds issued in 1998. Debt service on the pension bonds has been level up until fiscal year 2008 – this fiscal year marks the beginning of repayment of the principal of those bonds. Total GO debt service is expected to total $1.733 billion in fiscal year 2008.

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 via business development, infrastructure construction, education and environmental protection.

At the end of fiscal year 2007, there was nearly $2.2 billion in Build Illinois bonds, up from under $1.6 billion outstanding at the end of fiscal year 1998. Build Illinois bond issuance gradually increased as a result of the Illinois FIRST program, with a few other increases in bond authorization in the years following that program. The last increase in Build Illinois bond authoriza-

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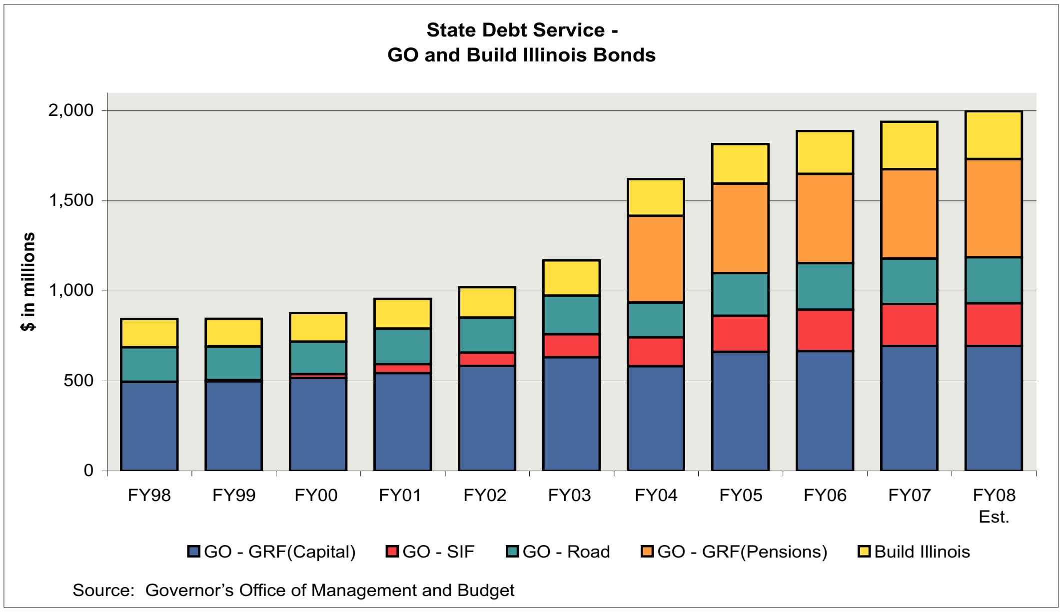


tion was in 2002. The largest year in recent history for Build Illinois capital bond sales was in fiscal year 2004 when $350 million was issued. In fiscal year 2007, no Build Illinois bonds were issued as the state was nearing the end of available authority for issuance.

Debt service on Build Illinois bonds has increased steadily since fiscal year 1998. That year, the debt service on Build Illinois bonds totaled $157 million, but it is expected to total $266 million in fiscal year 2008.

Civic Center Bonds

The Metropolitan Exposition and Auditorium Authorities bond program (Civic Center program) is a special obligation bond that is considered direct state debt. Relatively small compared to the other two bond programs, there was $115.7 million in Civic Center bonds outstanding at the end of fiscal year 2007.

This bond program was developed to provide state support to local civic centers, but the last new bonds for this program were issued in fiscal year 1992. Originally supported in part by horse racing taxes, these bonds are now fully repaid by transfers from the General Revenue Fund and subject to appropriation by the General Assembly. Debt service on the bonds is approximately $14 million per year.

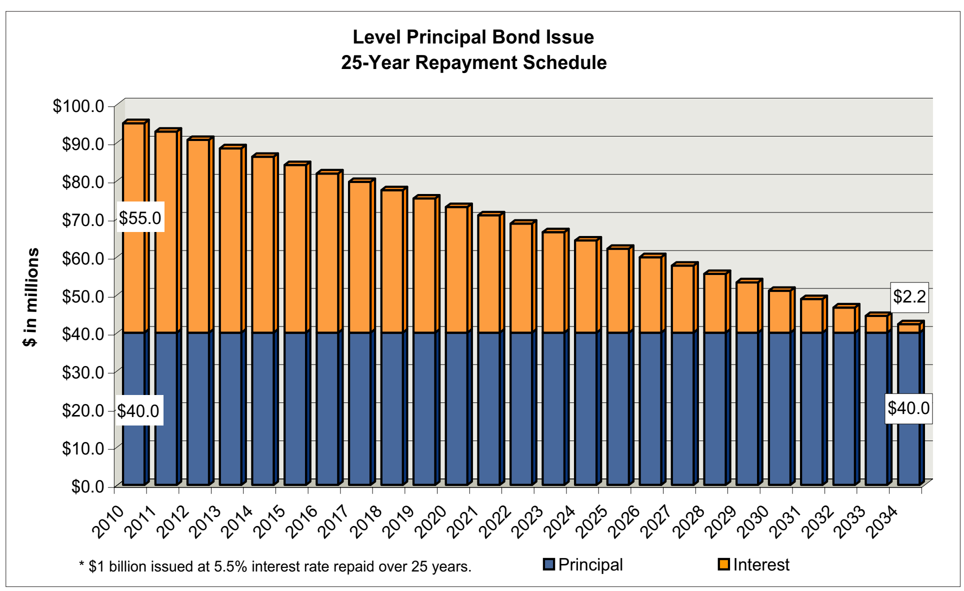
Cost to Issue Long-Term Debt

When borrowing in the financial market, the state agrees to make interest payments on the bonds that it issues until the bonds are repaid by the state. Illinois structures its bond issues to repay a portion of the outstanding principal in every fiscal year and generally makes interest payments every six months.

Under current statute (30 ILCS 330/9), repayment on general obligation bonds cannot be extended past 25 years and principal outstanding must be repaid in equal amounts in each fiscal year ("level principal payments"). Build Illinois bonds (see 30 ILCS 425/6) have the same limitations. The provisions requiring level principal payments within 25 years were included in debt issuance reform legislation passed in 2004 (Public Act 93-839); prior to that, debt could not be extended past 30 years, but there was no required repayment structure.

The first graph illustrates what the debt service payment will look like for a hypothetical example where $1 billion in bonds is issued at 5.5% interest rate and repaid over 25 years. The first year after the issuance, debt service costs are at their highest with $55 million in interest payments and $40 million in principal payments for a total of $95 million. Interest costs gradually decline as principal payments remain steady at $40 million per year. Debt service in the final year is at $42.2 million.

An alternative structure for repayment is known as "level debt service". Although not currently allowed under Illinois law for GO or Build Illinois issues, prior to 2004, many Build Illinois bonds were issued under this structure. The Civic Center program was also issued primarily with level debt service repayments. In



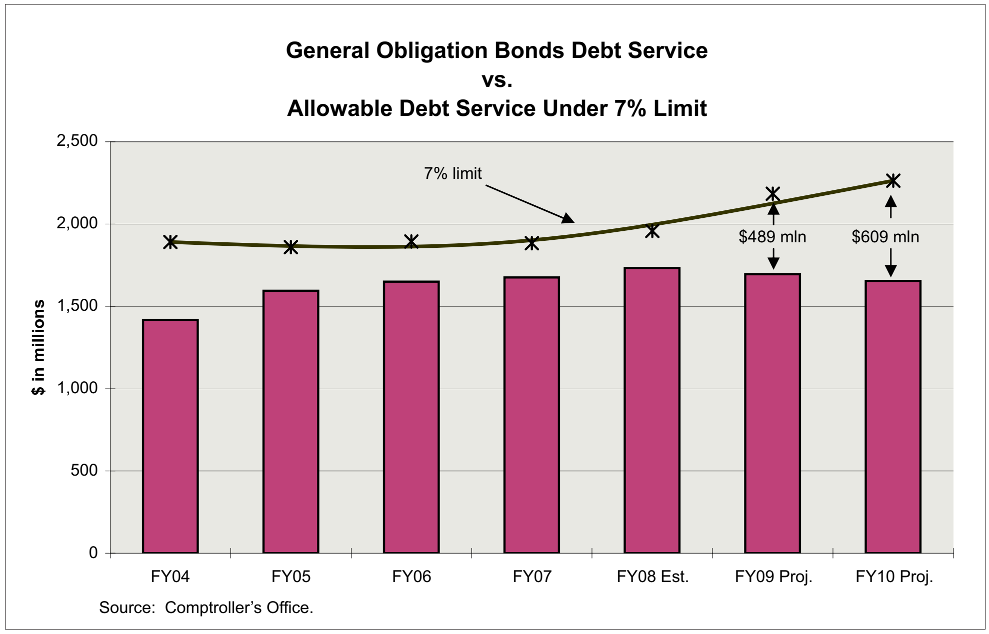
Cover Story continued, page 5

this structure, the total payment – principal + interest – is roughly equal in each year. This is similar in structure to a traditional home mortgage.

The second graph illustrates what the payments would look like under this method if $1 billion in bonds is issued at a 5.5% interest rate and repaid over 25 years. In each year, the payments total approximately $74.5 million, with the principal paid gradually increasing over the term of the repayment. The annual payment is lower than in the early years of the level principal structure, but as the principal repayment is slower, the total interest paid over the life of the borrowing is higher than in the level principal example. However, shortening the repayment period would lower the interest costs over the life of the bond issue (and many Build Illinois issues were only for 20 years).

Debt Service Limitations

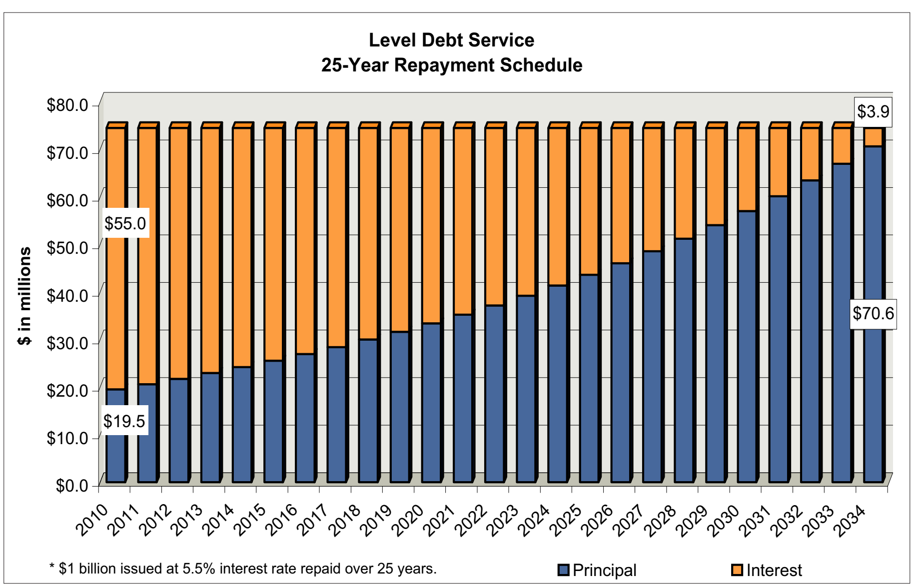
Included in the 2004 reform legislation was a provision capping the amount of debt service on GO bonds. Under 30 ILCS 330/2.5, GO bonds cannot be issued if in the fiscal year following the issuance of the bonds, the debt service on all GO bonds would exceed 7% of the prior fiscal year's appropriations from the General Funds and the Road Fund. The only exception to this cap is if the Comptroller and Treasurer consent to the cap being set aside.



Source: Comptroller's Office.

The chart above looks at the current room under the debt service cap. In the current fiscal year, the state cannot issue GO bonds if the debt service in fiscal year 2009 would exceed 7% of the fiscal year 2007 appropriations from the General Funds and Road Fund. As fiscal year 2007 appropriations totaled $31.195 billion, this limits GO debt service to $1.959 billion. Currently, GO debt service is scheduled to total $1.695 billion in fiscal year 2009, so debt service could increase by $489 million in fiscal year 2009 to stay within the cap. Using the level principal model discussed earlier, at a 5.5% interest rate, this effectively limits its GO bond issuance in fiscal year 2008 to $5.4 billion.

Looking ahead to allowable bond sales in fiscal year 2009 under the debt service cap, if the same methodology is followed, debt service in fiscal year 2010 could be $609 million higher than it is under the current schedule to stay within the cap. This amount will be affected when GO bonds are issued this year (estimated by GOMB to total $150 million) or if the fiscal year 2008 appropriations from the General Funds or Road Fund increase. However, at least $6.4 billion in bonds could be issued prior to the end of fiscal year 2009 with interest rates around 5.5% before the cap would be reached.



* $1 billion issued at 5.5% interest rate repaid over 25 years.

Governor's Fiscal Year 2009 Capital Budget

Included as part of the fiscal year 2009 budget address in February, the Governor presented a fiscal year 2009 capital budg-

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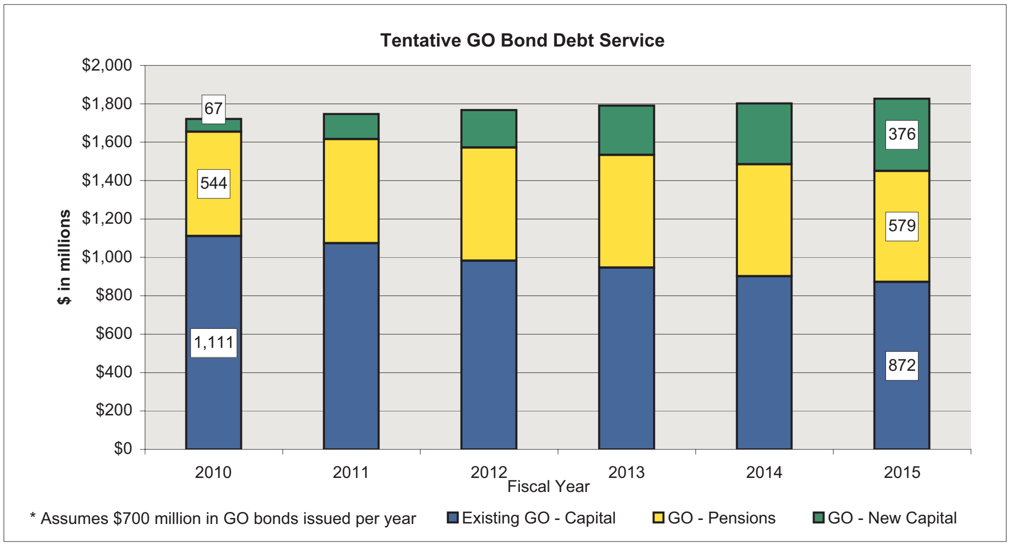


et to the General Assembly. Part of the capital plan was a $25 billion Illinois Works infrastructure plan, with $11 billion in state funding. The Governor proposed increasing bond authorization by $3.8 billion to cover part of the cost of the state's share with a portion likely to be issued as GO bonds and some as Build Illinois bonds. Additionally, the Governor's budget proposal called for issuing between $12-20 billion in pension funding GO bonds to shore up the state's pension system.

The bonds for the capital projects, if authorized, are unlikely to be issued all at once. More likely is a slower issuance over 5-7 years or more to mirror the spending on the projects which can take multiple years. Combined with the bonds issued for earlier approved projects, a potential sale schedule could easily reach $600-$800 million or more over the next 5-7 years.

The chart above shows how GO bond debt service could tentatively increase if $700 million in GO bonds were issued per year between fiscal years 2009 and 2014 at an interest rate of approximately 5.5%. By 2015, under this scenario, approximately $376 million would be added to the state's debt service costs from the new bonds. However, during this time, previously issued GO bonds would also be paid off, so total GO bond debt service would increase less than $100 million above the estimated GO debt service for fiscal year 2008, to a projected $1.827 billion in fiscal year 2015.

Additionally, with a bond issuance schedule like this hypothetical example, the debt service on the bonds would likely remain below the statutory debt service limit of 7% of appropriations. Total appropriations would have to fall below current levels for the debt service cap to be a concern. However, a pension funding bond issue in excess of $10 billion as proposed by the Governor likely would cause GO debt service to reach above the 7% cap, if structured as a level principal issuance. ■

Pension Obligation Bonds continued from page 2

lation and actuarial valuations and can be adjusted by amending the existing law.

The key risk from using pension funding bond debt to meet pension liabilities is the possibility that the return on the investments will not meet expectations over the life of the bonds. (Note that investment returns need to be in excess of 5.05% because the full $10 billion was not distributed to the pension systems to replace existing pension liabilities.) An example of a state losing the pension obligation bond bet is New Jersey which issued $2.7 billion in pension obligation bonds in 1997. Unfortunately, the equity markets into which these monies were invested flopped between 2000 and 2002. The result was New Jersey had to continue making the scheduled debt service payment on the bonds, while making higher retirement contributions not forecasted in the original optimistic funding plan.

Post Pension Bond Investment Returns

	Fiscal Year			
	2004	2005	2006	2007
Teachers' Retirement System	16.5%	10.8%	11.8%	19.2%
State Universities Retirement System	17.0%	10.4%	11.7%	18.3%
State Board of Investment*	16.4%	10.1%	11.0%	17.1%

* Invests assets of the State Employees, General Assembly, and Judges Retirement Systems.

Fortunately for Illinois, the investment performance of the monies contributed to the systems has been excellent through the end of fiscal year 2007. For each of the four years since the pension bond money was distributed, the rate of return on investments from the Teachers' and State Universities Retirement Systems and the State Board of Investment (which invests for the State Employees', Judges', and General Assembly Retirement Sys-

Pension Obligation Bonds continued, page 9

No Major Bond Authorizations – Infrastructure Needs Grow

Bonds, which provide a substantial portion of the funding of a capital plan, are issued to support all types of infrastructure projects from building and maintaining roads to water and sewer facilities, as well as school construction. The last major bond authorization increase was the Illinois FIRST capital plan in fiscal year 2000. The last significant increase in bond authorization was in the spring of 2002. With these expansions, there was a surge in construction and improvements to the state's infrastructure. Recently there has been a noticeable decline in capital projects and an increase in the backlog of needed infrastructure improvements as the authority to issue bonds nears depletion.

The Department of Transportation had a dramatic increase in the number of miles of roads improved from fiscal year 1998 to 2001. Since then, the number of miles of roads improved annually has declined by more than half, falling from 1,996 miles to 908 miles in fiscal year 2007.

Correspondingly, the backlog of miles deemed in need of improvement followed a reverse pattern. The backlog decreased from 2,021 miles in fiscal year 1998 to 1,425 miles in fiscal year 2003 and increased steadily after that to 2,145 miles needing improvement in fiscal year 2007. Improvements to bridges and structures followed a similar pattern and have also been on a downward trend recently. A major portion of highway infrastructure improvements is reimbursed by the federal government. The current five-year federal transportation plan includes over $6 billion for Illinois.

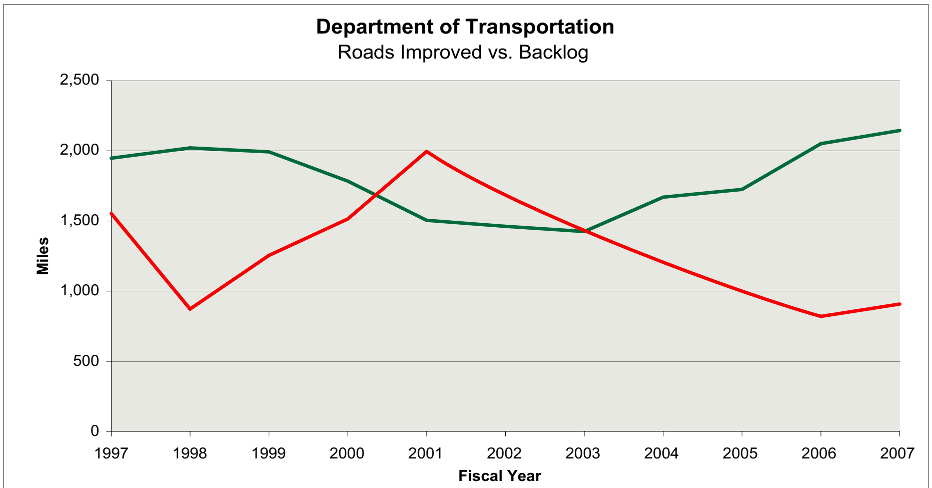
Capital Development Board
Number of Active Projects

Fiscal Year	Projects
2002	1,003
2003	794
2004	599
2005	495
2006	443
2007	426

Source: Comptoller's Public Accountability Report.

Active projects by the Capital Development Board fell from 1,003 in fiscal year 2002 to 426 in fiscal year 2007. These projects include all types of building improvements from universities to correctional facilities and all other state buildings or facilities. Infrastructure grants from the Environmental Protection Agency, primarily to local governments for various water infrastructure improvements, peaked in fiscal year 2000 at 115 grants and have since declined with

No Major Bond continued, page 12

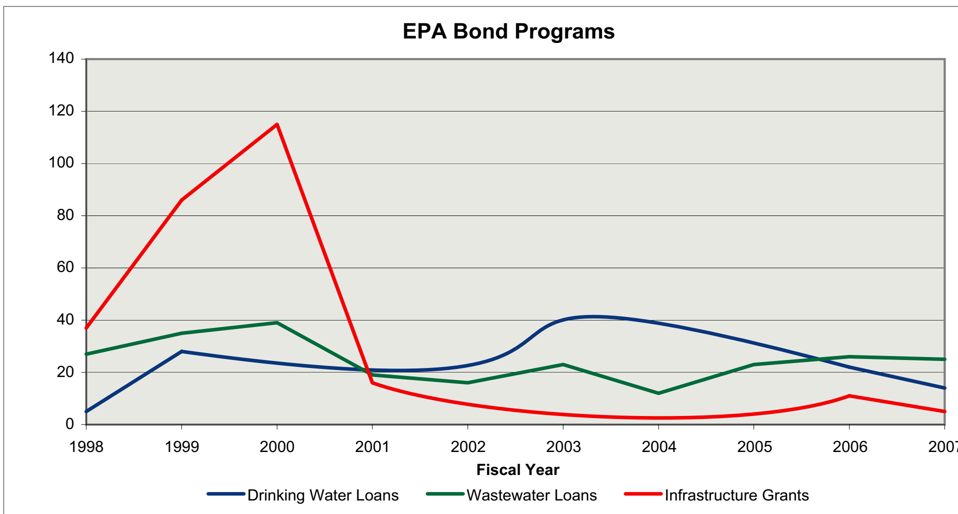


Source: Department of Transportation.

Department of Transportation
Highway Program

Fiscal Year	Bridges/Structures Improved
1997	431
1998	381
1999	443
2000	350
2001	403
2002	333
2003	319
2004	249
2005	206
2006	255
2007	274

Source: Department of Transportation.



Source: Comptroller's Public Accountabilty Report.

Bonds Used to Fund Environmental Protection Programs

The Illinois Environmental Protection Agency (IEPA) is responsible for protecting the health, welfare, property and quality of life for the residents of Illinois, and has used bonds to help accomplish this mission. The Anti-Pollution Bond Act was enacted in 1971 to provide funds for the state to use to protect the environment by controlling water pollution. This Act was later succeeded by the General Obligation Bond Act, with all bonds issued after December 1, 1984 under the latter. These acts authorize the State of Illinois to issue, sell and retire bonds to provide funding for water pollution control. Under the original act, $599 million in bonds were sold, and provided $16 million in grants in the first year. As of June 30, 2007, under the GO Bond Act, IEPA had $319.8 million authorized for grants or loans to local governmental units to be used in accordance with the Federal Environmental Protection Act, of which $7.8 million was unissued. Additionally, $160.5 million was allocated for use in the Leaking Underground Storage Tank (LUST) Program, a separate part of the Environmental Protection Act, of which $15.8 million was unissued.

Illinois issued the first Anti-Pollution bonds in 1971. The last Anti-Pollution bonds were issued in 1984 and mature in 2009. Additional "multiple purpose" bonds were issued for anti-pollution purposes under Section 6 of the GO Bond Act, with the last issue date being 2004 with a maturity date of 2029. The IEPA is responsible for administering these bond monies to support various environmental programs.

Water Programs

The IEPA's Bureau of Water works to insure the air, water and land provide for a safe and healthy environment. Two loan programs are operated by the bureau to assist units of local government in meeting the requirements of the Federal Clean Water Act (CWA). Some of the bond proceeds from the sale of general obligation bonds were used to provide the state's matching funds in these loan programs.

As a result of changes made to the CWA in 1987, federal funds were made available to help provide public wastewater projects. In Illinois, the Water Pollution Control Loan Program (WPCLP) was implemented, with the federal government providing 80% of the funds and states being required to provide 20% matching funds. This program capitalizes between $65 and $75 million dollars annually in combined federal and state funds. The USEPA awarded Illinois a $39,604,554 capitalization grant in September 2006. This grant will require IEPA to provide $7,920,911 in matching funds. An additional $90,000,000 in loan payment funds is also available for new projects. Twenty-five loans were supported for the fiscal year.

In August of 1996, the federal Safe Drinking Water Act Reauthorization was signed into law. This Act authorized the federal government to provide grants requiring states to provide 20% matching funds as well. These loans are provided through the Public Water Supply Loan Program (PWSLP). For fiscal year 2007, the USEPA awarded a federal capitalization grant for $33,565,500. The IEPA was able to enter into 14 commitments for this program. Local governmental units and certain classes of privately-owned community water supplies may receive a drinking water loan to: 1) upgrade or replace existing facilities to bring them into compliance with the Safe Drinking Water Act and the State Environmental Protection Act; 2) provide for construction of a new distribution and/or treatment system to replace individual wells; and 3) renovate treatment and/or distribution facilities that have reached the end of their useful life or no longer meet the needs of the area served. The maximum term for these loans is 20 years. There is a 25% of available funds limit placed on each loan in any given fiscal year. Funds are awarded competitively with an application deadline of March 31.

Land Program

The IEPA's Bureau of Land's responsibilities include protecting and restoring the land and groundwater resources for the state. It works in conjunction with the State Fire Marshall's Office to oversee the underground storage tanks in Illinois. The federal Reserve Conservation and Recovery Act (RCRA) was amended in 1986 to provide a regulatory framework for underground storage tanks that contained hazardous substances and petroleum. In 1989, Illinois created the Underground Storage Tank (UST) fund and established the Leaking Underground Storage Tank (LUST) Program to provide funding for the clean-up of leaking tanks and groundwater contamination, which can take years to complete. Through this program, tank owners are able to submit claims for reimbursement after having met a deductible of $10,000 for remediation. General obligation bond proceeds were initially used to cover the backlog of claims for remediation, which total approximately $50 million a year. Since the program's inception, over 18,498 acres have been remediated. ■

Student Loan Debt Reduced

The Illinois Designated Account Purchase Program (IDAPP) is a student loan financing program administered by the Illinois Student Assistance Commission (ISAC). IDAPP sells student loan revenue bonds to raise dollars for education loans. IDAPP also uses loan proceeds to purchase loan portfolios from lenders freeing up local lenders' capital for new loans. Funds raised through IDAPP are used for both Illinois and non-Illinois residents.

Through fiscal year 2006, IDAPP borrowing grew at a rapid rate with outstanding principal increasing from $1.1 billion at the end of fiscal year 1997 to $4.2 billion at the close of fiscal year 2006. During calendar year 2007, ISAC decided to reduce the scope of IDAPP, increase the percentage of funds used for loans to Illinois residents, and gain funds for other student assistance programs. IDAPP's first sale of $648 million in loans in January 2007 led to a 17.3% decrease in outstanding IDAPP debt to $3.5 billion at the end of fiscal year 2007. Additional debt sales of $1.38 billion in July and $1.03 billion in August 2007 followed.

Illinois Student Assistance Commission Portfolio Sales

	Volume Sold			Net Proceeds Deposited in Student Loan Operating Fund
	$	Loans	Borrowers	
Jan-07	$648 million	75,370	42,446	$26.5 million/MAP Plus
Jul-07	$1.38 billon	368,924	191,914	$27 million/MAP
Aug-07	$1.03 billon	151,770	86,818	None to date

Source: Illinois Student Assistance Commission press releases and Comptroller's records.

Proceeds from the first bond sale were expected to provide sufficient funds to finance the Monetary Award Program (MAP) Plus, a new one-year program that expanded the existing MAP program to provide aid to students with incomes above the MAP threshold. While $34.4 million was appropriated from the Student Loan Operating Fund for MAP Plus in fiscal year 2007, proceeds from the IDAPP loan sale deposited into the fund totaled only $26.5 million for the fiscal year. Fiscal year 2007 expenditures for MAP Plus out of the Student Loan Operating Fund were $26.9 million. Following the further debt sale in July 2007 (fiscal year 2008), an additional $27.0 million was deposited into the Student Loan Operating Fund. In August 2007, ISAC made $26.4 million in fiscal year 2007 lapse period expenditures for the regular MAP program out of this fund. Although the sale of the loan portfolio was expected to generate $300-500 million when it was first proposed 3 years ago, at this point it appears that actual revenue will fall far below this optimistic assumption. ■

Pension Obligation Bonds concluded from page 6

tems) have been in double digits with returns exceeding 16% for each investment fund during fiscal year 2004 and fiscal year 2007.

It appears unlikely that this investment record will continue for fiscal year 2008. Equity markets have performed poorly during the first half of the fiscal year and there are serious indications of an economic downturn during calendar year 2008.

Since most of the bonds mature toward the end of the 30-year bonding program, the ultimate success of the arbitrage program will not be known for many years. Over three-quarters of the bonds mature between 2024 and 2033 compared to 4% during the first ten years following issuance and 19.5% during the following 10 years. This retirement schedule also means that 46% ($10.1 billion) of the total debt service ($21.9 billion) will be paid in the final ten years before retirement of this debt issue.

Bond Proceeds by Retirement System ($ in Millions)

Retirement System		
Teachers' Retirement System	$4,330	59.2%
State Universities Retirement System	$1,432	19.6%
State Employees' Retirement System	$1,386	18.9%
Judges' Retirement System	$142	1.9%
General Assembly Retirement System	$27	0.4%
Total	$7,317	100.0%

The timing of the 2003 pension obligation bond issue, at the beginning of a four-year-long bull market in equities when interest rates were relatively low, was fortuitous. As a result, during the first four years after the bonds were issued, the plan appears to be achieving its goal of generating extra monies to fund pension liabilities. Caution should be taken in proposing future issues of pension bonds however, as the timing of such issues may not be as lucky. ■

Pension Obligation Bond Debt Service ($ in Millions)

Fiscal Years	Principal	Interest	Total Debt Service
2004-2013	$400.0	$4,922.7	$5,322.7
2014-2023	$1,950.0	$4,550.2	$6,500.2
2024-2033	$7,650.0	$2,460.8	$10,110.8
Total	$10,000.0	$11,933.7	$21,933.7

State Debt Burdens

One factor in the fiscal health of a state is its total net tax-supported debt. The impact on the states' health can be measured by the burden this debt places on the taxpayers through the debt per capita amount and the percent of the state's personal income that this debt reflects. These measures help to illustrate how much of the state's resources would be necessary to repay the debt – that is, how much of the states' revenues are likely pledged to pay fixed debt service costs which may limit the states' ability to address other fiscal needs.

Moody's Investors Services, as most recently outlined in a March 2008 report, has closely monitored long-term debt for many years. Their analysis not only provides a view of the national trends, but also a comparison of how individual states stack-up against the rest of the country both through actual levels of outstanding debt and measures of debt burden.

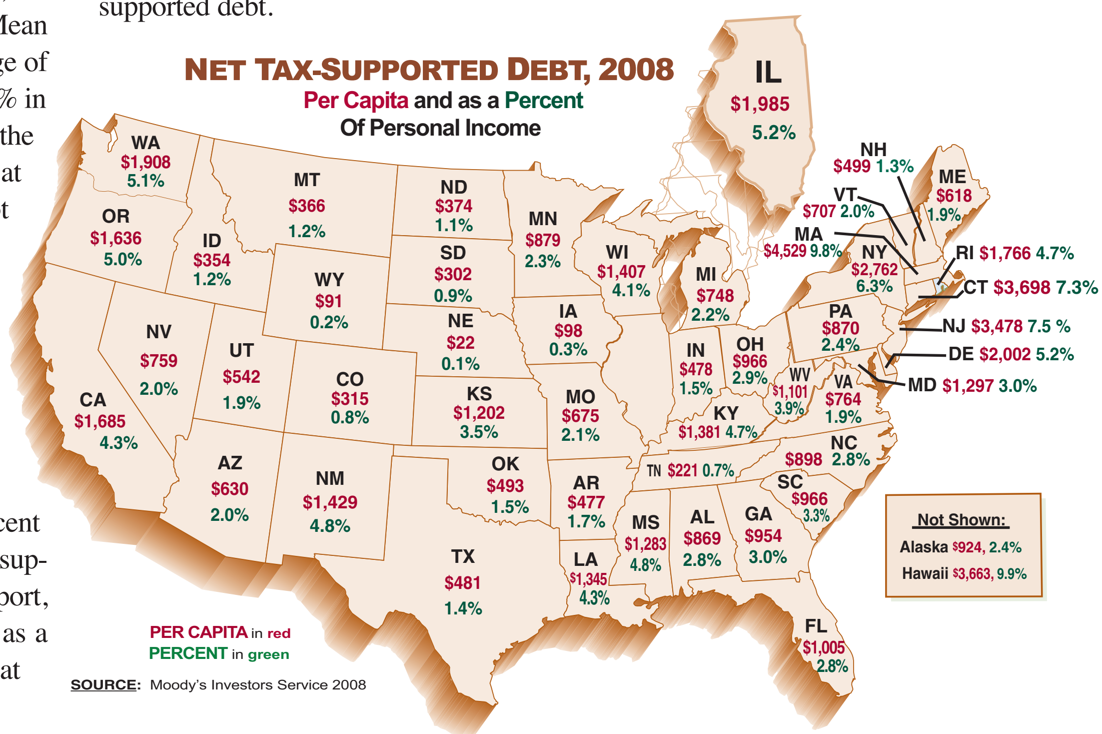
Nationwide, the total net tax-supported debt has steadily increased over the past ten years. In 1998, the total was just under $200 billion of debt for all states combined. With an increase of 5.1%, the total stood at $398 billion in 2007. Mean net tax-supported debt as a percentage of personal income in all states was 3.2% in 2007, essentially unchanged from the prior year, while the median was at 2.6%. Mean net tax-supported debt per capita for all states totaled $1,158, while the median level was $889 in debt per capita. The growth in total net tax-supported debt was at a moderate pace as many large states have slowed debt issuance in recent years.

Illinois is a prime example of the recent trend of slowing or declining tax-supported debt. In Moody's 2005 report, Illinois' total net tax-supported debt as a percentage of personal income stood at 6.2%, which was the highest percentage ever recorded for the state. In the 2006 report, that number dropped to 5.9% and had further dropped to 5.2% in the 2008 report. In the 1997 report, this percentage was 2.7% - a large jump occurred between 2003 and 2004 when Illinois issued $10 billion in pension funding general obligation bonds. In 2000, Illinois ranked twentieth nationwide for net tax-supported debt as a percentage of personal income. In the 2008 report, Illinois had jumped to 6th nationally representing over $25 billion in total net tax-supported debt, of which $10 billion is the pension funding bonds.

In the report, California topped the list the total net tax-supported debt in dollars with over $61 billion of debt, with New York close behind at over $53 billion of debt. These are two of the most populous states in the U.S. Illinois' $25 billion of debt ranked 5th in the nation and was first among Midwestern states. Iowa was the lowest of the Midwestern states with $292 million in net tax-supported debt. Nebraska was the lowest of all states with only $39 million in outstanding net tax-supported debt.

The map below shows net tax-supported debt per capita and as a percent of personal income for all states from the Moody's 2008 State Debt Medians report. While Illinois' net tax-supported debt as a percentage of personal income was at 5.2% (placing it 6th among the states), it was dwarfed by the state of Hawaii which registered 9.9%. Other states with higher net tax-supported debt as a percent of personal income included Massachusetts with 9.8%, New Jersey with 7.5%, Connecticut with 7.3%, and New York with 6.3%. Nebraska was lowest among the states at 0.1%. The median percent was 2.6%.

Rankings were similar when looking at net tax-supported debt per capita. Illinois ranked 7th on Moody's list with $1,985 in debt per person. Massachusetts was the highest with $4,529 in debt per person. Connecticut, Hawaii, New Jersey, New York, and Delaware also ranked higher than Illinois. Nebraska was the lowest among all states on this list as well, with only $22 in debt per person. The median amount was $889 per person. ■



Revenue Bonds

Revenue bonds of state agencies can be classified into three major types. The majority are basic revenue bonds or conduit debt which pledge only the revenues derived from the facilities constructed and are issued without any commitment on the state. A second type of revenue bond is a moral obligation debt or contingent debt bond in which the state may be asked to consider, in some instances, meeting the debt requirements if revenues supporting these bonds should prove insufficient. The third type of revenue bond is an indirect debt or tax supported bond which has statutory authorization designating state revenue sources for their repayment either in whole or part. Total revenue bond debt outstanding at the end of fiscal year 2007 was $37.2 billion.

Conduit Bonds

Conduit bonds are bonds in which the state is clearly not required to assist in the repayment of debt service costs. For example, the Illinois Finance Authority issues debt in support of industrial and local government infrastructure construction or expansion projects. The monies used to repay these bonds are entirely paid from the industry or local government's resources with no obligation to the state. Conduit debt has been on the rise over the last five years. Since fiscal year 2003, conduit debt has increased $5.2 billion or 24.6% to $26.3 billion in fiscal year 2007. The largest portions of this increase have been increases of $3.4 billion for the Illinois Finance Authority and $1.6 billion for the Illinois State Toll Highway Authority.

Moral Obligation-Contingent Bonds

Moral obligation debt is debt issued with the state's moral obligation pledge attached. Illinois law limits the types of bonds that may have the moral obligation pledge attached. This pledge means that in the event it is determined that money will not be available for payment of principal and interest of theses obligations, the Governor is to submit the shortfall amount to the General Assembly.

Contingent debt is debt that normally would be repaid by revenues generated by the project, but certain circumstances would require the state to assist in the repayment. For example, in the construction of student housing buildings financed for and through the state universities, the resources used to pay the annual debt service of these bonds are the receipts collected from the project itself. However, if the universities determine that the project receipts (rental or student housing) are insufficient to meet their debt service requirement, they have the statutory authority to redirect other revenues (i.e., student tuition). These other revenues are normally used to meet annual operating needs. Thus, the redirection of these other revenues may result in a need for more state General Revenue Fund dollars to support the annual higher education program costs.

Total moral obligation and contingent debt outstanding has increased 8.2% or $600 million from $7.3 billion in fiscal year 2003 to $7.9 billion as of June 30, 2007. However, the $7.9 billion outstanding at the end of fiscal year 2007 is $600 million less than the prior year primarily due to a decrease of $731 million for the Illinois Student Assistance Commission, who borrows to provide financing for student loans.

Indirect Debt Bonds

Assets constructed from indirect debt proceeds are property of the local governments or other entities. However, the debt service costs require annual appropriations from "public funds" of the state. For example, the Illinois Sports Facilities Authority receives a state appropriation from the Illinois Sports Facilities Fund which receives a portion of the Hotel Operator's Occupation Tax and the transfer of a share of monies that would otherwise have been paid to the City of Chicago.

Since fiscal year 2003, outstanding indirect debt has increased $493 million or 19.7% from $2.501 billion to $2.994 billion. The Regional Transportation Authority (RTA) accounts for $410 million of the increase from 2003 to 2007 and also accounts for $1.628 billion or 54.4% of the $2.994 billion outstanding.

Revenue Bonds continued, page 12

Major Revenue Bond Issuers

Agency	Type of Debt	Issued	Outstanding
Illinois Finance Authority (IFA)	Conduit	$30,604	$21,535
	User Charge Supported	$133	$55
	Contingent	$54	$52
	IFA Total	$30,791	$21,642
Illinois Student Assistance Commission (ISAC)	User Charge Supported	$4,410	$3,492
Illinois Housing Development Authority (IHDA)	Conduit	$3,417	$1,986
	User Charge Supported	$613	$0
	IHDA Total	$4,030	$1,986
Metropolitan Pier and Exposition Authority (MPEA)	Contingent	$2,617	$2,597
	Tax Supported	$350	$183
	MPEA Total	$2,967	$2,780
Regional Transportation Authority (RTA)	Tax Supported	$2,072	$1,628

Source: Comptroller's Office, *Bonded Indebtedness and Long-Term Obligations, Fiscal Year 2007.*

Revenue Bonds, concluded from page 11

Illinois Finance Authority

Of the $37.2 billion in revenue bond debt, $21.5 billion is from the Illinois Finance Authority. Newly formed on January 1, 2004, the Illinois Finance Authority was a consolidation of seven previous authorities including the Illinois Development Finance Authority, Illinois Farm Development Authority, Illinois Health Facilities Authority, Illinois Educational Facilities Authority, and the Rural Bond Bank.

The Illinois Finance Authority's mission is to foster economic development by providing access to capital to public and private institutions that create and retain jobs and improve the quality of life in Illinois. The authority is guided by a 15-member non-paid board appointed by the Governor and is self-funded with no state appropriated funding for operations. Economic development is enriched by the authority in various sectors including agriculture, business and industry, education, healthcare, and local communities.

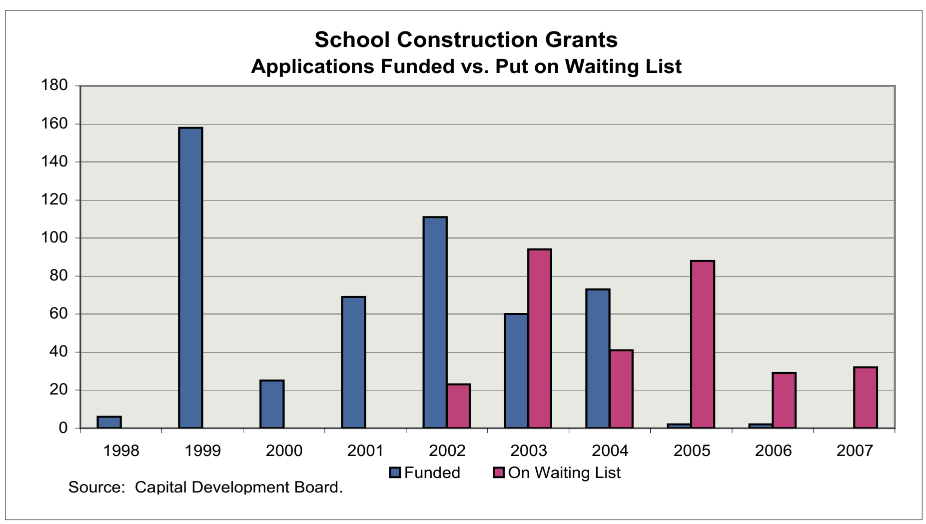
A recent example of capital assistance in the healthcare sector is the $650 million in federally-exempt healthcare bonds approved to be issued for Children's Memorial Hospital in Chicago to build a new replacement hospital which is expected to open in 2012 and to refund earlier debt. The project is expected to create 3,000 jobs during construction and 450 new permanent jobs. Also in the healthcare sector, the authority approved the issuance of $460 million in tax-exempt bonds for the expansion of Saint Francis Medical Center in Peoria.

In the business and industry sector, recent examples include $5.3 million in financing to help Chicago Gear Company expand operations and build in Kinzie Industrial Corridor resulting in the retention of 110 jobs. Also $3.3 million in industrial revenue bonds were issued by the authority enabling CENTA Corporation to expand warehousing and launch manufacturing operations in the United States for the first time. ■

No Major Bond, concluded from page 7

only 5 grants awarded in fiscal year 2007. The wastewater and drinking water loan program last had state general obligation bond proceeds, which support the program, deposited in fiscal year 2004.

One of the more notable portions of the state's capital plan has been the school construction program. While there were a few categories through which school districts could apply for a construction grant, the emphasis of the program was to replace old buildings and to add classroom space for districts experiencing population growth. As seen in the chart, the number of school construction grants issued and pending has varied over the years. Fiscal year 2004 was the last year school construction grants were issued and since then only emergency grants have been awarded. Construction grants remaining or pending began in fiscal year 2002 and more schools continue to seek construction grants. At the end of fiscal year 2007, a total of 307 schools seeking construction grants remain on the list. ■



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JANUARY 2008

GENERAL FUNDS REVENUES, EXPENDITURES AND BALANCES
(Dollars in Millions)

	Jan. 2008	Seven Months FY 2008	Change From Prior Year $	Change From Prior Year %
Total General Funds				
Available Balance	$ 589	$ 642	$ 52	8.8 %
Revenues	2,958	18,153	2,064	12.8
Expenditures	3,010	18,258	2,064	12.7
Ending Balance	$ 537	$ 537	$ 52	10.7 %
General Revenue Fund				
Available Balance	$ 54	$ 224	$ 158	239.4 %
Revenues	2,563	15,659	1,970	14.4
Expenditures	2,545	15,811	2,139	15.6
Ending Balance	$ 72	$ 72	$ (11)	(13.3) %
Common School Special Account Fund				
Available Balance	$ 84	$ 36	$ (5)	(12.2) %
Revenues	156	1,089	1	0.1
Expenditures	136	1,021	(21)	(2.0)
Ending Balance	$ 104	$ 104	$ 17	19.5 %
Education Assistance Fund				
Available Balance	$ 426	$ 375	$ (88)	(19.0) %
Revenues	147	862	48	5.9
Expenditures	252	916	(74)	(7.5)
Ending Balance	$ 321	$ 321	$ 34	11.8 %
Common School Fund				
Available Balance	$ 25	$ 7	$ (13)	(65.0) %
Revenues	230	2,061	76	3.8
Expenditures	215	2,028	50	2.5
Ending Balance	$ 40	$ 40	$ 13	48.1 %

Note: Total General Funds excludes interfund transfers while the individual funds include such transfers. Numbers may not add due to rounding.

GENERAL FUNDS REVENUES
(Dollars in Millions)

Revenues:	Jan. 2008	Seven Months FY 2008	Change From Prior Year $	Change From Prior Year %
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	$ 1,338	$ 5,427	$ 504	10.2 %
Corporate	88	728	(4)	(0.5)
Total, Income Taxes	$ 1,426	$ 6,155	$ 500	8.8 %
Sales Taxes	622	4,348	3	0.1
Other Sources:				
Public Utility Taxes	141	655	10	1.6
Cigarette Taxes	29	204	0	0.0
Inheritance Tax (gross)	21	221	57	34.8
Liquor Gallonage Taxes	18	100	7	7.5
Insurance Taxes and Fees	39	153	(2)	(1.3)
Corporation Franchise Tax and Fees	17	133	22	19.8
Investment Income	13	131	12	10.1
Cook County IGT	13	100	16	19.0
Other	55	268	0	0.0
Total, Other Sources	$ 346	$ 1,965	$ 122	6.6 %
Total, Cash Receipts	$ 2,394	$ 12,468	$ 625	5.3 %
Transfers In:				
Lottery Fund	$ 65	$ 372	$ 42	12.7 %
State Gaming Fund	43	413	13	3.3
Other Funds	24	325	(111)	(25.5)
Total, Transfers In	$ 132	$ 1,110	$ (56)	(4.8) %
Total, State Sources	$ 2,526	$ 13,578	$ 569	4.4 %
Federal Sources	$ 432	$ 2,799	$ (5)	(0.2) %
Total, Base Revenues	**$ 2,958**	**$ 16,377**	**$ 564**	**3.6 %**
Short Term Borrowing	0	1,200	1,200	N/A
Cash Flow Transfer - Hospital Provider Fund	0	300	300	N/A
Transfer from Budget Stabilization Fund	0	276	0	0.0
Total, Revenues	$ 2,958	$ 18,153	$ 2,064	12.8 %

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

Expenditures:	Jan. 2008	Seven Months FY 2008	Change From Prior Year $	Change From Prior Year %
Awards and Grants:				
Healthcare & Family Services	$ 367	$ 4,149	$ 17	0.4 %
Elem. & Sec. Education:				
State Board of Education	460	3,461	109	3.3
Teachers Retirement	93	651	177	37.3
Total, Elem. & Sec. Education	$ 553	$ 4,112	$ 286	7.5 %
Human Services	261	1,896	62	3.4
Higher Education	44	449	(4)	(0.9)
All Other Grants	108	954	154	19.3
Total, Awards and Grants	$ 1,333	$ 11,560	$ 515	4.7 %
Operations:				
Other Agencies	$ 477	$ 3,325	$ 278	9.1 %
Higher Education	175	1,018	62	6.5
Total, Operations	$ 652	$ 4,343	$ 340	8.5 %
Regular Transfers Out	$ 242	$ 1,660	$ 30	1.8 %
All Other	$ 0	$ 9	$ 1	12.5 %
Vouchers Payable Adjustment	$ 783	$ (814)	$ (322)	N/A
Total, Base Expenditures	**$ 3,010**	**$ 16,758**	**$ 564**	**3.5 %**
Cash Flow Transfer - Hospital Provider Fund	0	1,200	1,200	N/A
Transfers to Repay GRF Short-Term Borrowing	0	300	300	N/A
Total, Expenditures	$ 3,010	$ 18,258	$ 2,064	12.7 %

COMPARISON OF SPENDING FOR OPERATIONS BY OBJECT
(Dollars in Millions)

	Jan. 2008	Seven Months FY 2008	Change From Prior Year $	Change From Prior Year %
Personal Services:				
Regular Positions	$ 348	$ 2,317	$ 212	10.1 %
Other Personal Services	15	116	12	11.5
Total, Personal Services	$ 363	$ 2,433	$ 224	10.1 %
Contribution Retirement	38	259	25	10.7
Contribution Social Security	16	112	7	6.7
Contribution Group Insurance	105	647	28	4.5
Contractual Services	71	381	16	4.4
Travel	2	12	0	0.0
Commodities	9	74	8	12.1
Printing	1	4	0	0.0
Equipment	2	12	(2)	(14.3)
Electronic Data Processing	2	21	(5)	(19.2)
Telecommunications	5	34	6	21.4
Automotive Equipment	3	19	5	35.7
Other Operations	35	335	28	9.1
Total, Operations	$ 652	$ 4,343	$ 340	8.5 %

COMPARISON OF SPENDING FOR AWARDS AND GRANTS
(Dollars in Millions)

	Jan. 2008	Seven Months FY 2008	Change From Prior Year $	Change From Prior Year %
State Board of Education:				
General State Aid	$ 365	$ 2,100	$ 48	2.3 %
All Other	95	1,361	61	4.7
Healthcare & Family Services	367	4,149	17	0.4
Human Services	261	1,896	62	3.4
Higher Education:				
Student Assistance Commission	37	249	8	3.3
Community College Board	5	181	(2)	(1.1)
Other	2	19	(10)	(34.5)
Teacher's Retirement	93	651	177	37.3
Children and Family Services	50	440	83	23.2
Aging	34	236	32	15.7
Revenue	3	13	2	18.2
All Other	21	265	37	16.2
Total, Awards and Grants	$ 1,333	$ 11,560	$ 515	4.7 %

FEBRUARY 2008

GENERAL FUNDS REVENUES, EXPENDITURES AND BALANCES
(Dollars in Millions)

	Feb. 2008	Eight Months FY 2008	Change From Prior Year $	Change From Prior Year %
Total General Funds				
Available Balance	$ 537	$ 642	$ 52	8.8 %
Revenues	1,913	20,066	1,232	6.5
Expenditures	2,123	20,381	1,256	6.6
Ending Balance	$ 327	$ 327	$ 28	9.4 %
General Revenue Fund				
Available Balance	$ 72	$ 224	$ 158	239.4 %
Revenues	1,647	17,306	1,143	7.1
Expenditures	1,670	17,481	1,254	7.7
Ending Balance	$ 49	$ 49	$ 47	N/A %
Common School Special Account Fund				
Available Balance	$ 104	$ 36	$ (5)	(12.2) %
Revenues	127	1,216	(2)	(0.2)
Expenditures	146	1,167	(22)	(1.9)
Ending Balance	$ 85	$ 85	$ 15	21.4 %
Education Assistance Fund				
Available Balance	$ 321	$ 375	$ (88)	(19.0) %
Revenues	71	934	54	6.1
Expenditures	229	1,146	(9)	(0.8)
Ending Balance	$ 163	$ 163	$ (25)	(13.3) %
Common School Fund				
Available Balance	$ 40	$ 7	$ (13)	(65.0) %
Revenues	269	2,330	16	0.7
Expenditures	280	2,308	12	0.5
Ending Balance	$ 29	$ 29	$ (9)	(23.7) %

Note: Total General Funds excludes interfund transfers while the individual funds include such transfers. Numbers may not add due to rounding.

GENERAL FUNDS REVENUES
(Dollars in Millions)

Revenues:	Feb. 2008	Eight Months FY 2008	Change From Prior Year $	Change From Prior Year %
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	$ 708	$ 6,136	$ 598	10.8 %
Corporate	52	780	42	5.7
Total, Income Taxes	$ 760	$ 6,916	$ 640	10.2 %
Sales Taxes	502	4,850	(12)	(0.2)
Other Sources:				
Public Utility Taxes	96	750	6	0.8
Cigarette Taxes	29	234	0	0.0
Inheritance Tax (gross)	36	256	74	40.7
Liquor Gallonage Taxes	10	110	3	2.8
Insurance Taxes and Fees	20	173	10	6.1
Corporation Franchise Tax and Fees	16	149	23	18.3
Investment Income	14	145	9	6.6
Cook County IGT	94	193	15	8.4
Other	30	299	2	0.7
Total, Other Sources	$ 345	$ 2,309	$ 142	6.6 %
Total, Cash Receipts	$ 1,607	$ 14,075	$ 770	5.8 %
Transfers In:				
Lottery Fund	$ 44	$ 416	$ 36	9.5 %
State Gaming Fund	16	429	9	2.1
Other Funds	2	327	(129)	(28.3)
Total, Transfers In	$ 62	$ 1,172	$ (84)	(6.7) %
Total, State Sources	$ 1,669	$ 15,247	$ 686	4.7 %
Federal Sources	$ 244	$ 3,043	$ (54)	(1.7) %
Total, Base Revenues	**$ 1,913**	**$ 18,290**	**$ 632**	**3.6 %**
Short Term Borrowing	0	1,200	300	33.3
Cash Flow Transfer - Hospital Provider Fund	0	300	300	N/A
Transfer from Budget Stabilization Fund	0	276	0	0.0
Total, Revenues	$ 1,913	$ 20,066	$ 1,232	6.5 %

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

Expenditures:	Feb. 2008	Eight Months FY 2008	Change From Prior Year $	Change From Prior Year %
Awards and Grants:				
Healthcare & Family Services	$ 383	$ 4,532	$ (140)	(3.0) %
Elem. & Sec. Education:				
State Board of Education	518	3,980	175	4.6
Teachers Retirement	93	744	202	37.3
Total, Elem. & Sec. Education	$ 611	$ 4,724	$ 377	8.7 %
Human Services	243	2,138	64	3.1
Higher Education	172	621	(35)	(5.3)
All Other Grants	88	1,042	174	20.0
Total, Awards and Grants	$ 1,497	$ 13,057	$ 440	3.5 %
Operations:				
Other Agencies	$ 431	$ 3,756	$ 302	8.7 %
Higher Education	170	1,188	119	11.1
Total, Operations	$ 601	$ 4,944	$ 421	9.3 %
Regular Transfers Out	$ 258	$ 1,918	$ 93	5.1 %
All Other	$ 0	$ 8	$ (1)	(11.1) %
Vouchers Payable Adjustment	$ (233)	$ (1,046)	$ (297)	N/A
Total, Base Expenditures	**$ 2,123**	**$ 18,881**	**$ 656**	**3.6 %**
Cash Flow Transfer - Hospital Provider Fund	0	1,200	300	33.3
Transfers to Repay GRF Short-Term Borrowing	0	300	300	N/A
Total, Expenditures	$ 2,123	$ 20,381	$ 1,256	6.6 %

COMPARISON OF SPENDING FOR OPERATIONS BY OBJECT
(Dollars in Millions)

	Feb. 2008	Eight Months FY 2008	Change From Prior Year $	Change From Prior Year %
Personal Services:				
Regular Positions	$ 330	$ 2,648	$ 255	10.7 %
Other Personal Services	16	132	13	10.9
Total, Personal Services	$ 346	$ 2,780	$ 268	10.7 %
Contribution Retirement	37	295	37	14.3
Contribution Social Security	16	128	9	7.6
Contribution Group Insurance	63	710	(12)	(1.7)
Contractual Services	82	463	60	14.9
Travel	2	13	0	0.0
Commodities	8	82	8	10.8
Printing	0	5	0	0.0
Equipment	1	13	(2)	(13.3)
Electronic Data Processing	2	23	(4)	(14.8)
Telecommunications	4	38	6	18.8
Automotive Equipment	1	20	5	33.3
Other Operations	39	374	46	14.0
Total, Operations	$ 601	$ 4,944	$ 421	9.3 %

COMPARISON OF SPENDING FOR AWARDS AND GRANTS
(Dollars in Millions)

	Feb. 2008	Eight Months FY 2008	Change From Prior Year $	Change From Prior Year %
State Board of Education:				
General State Aid	$ 387	$ 2,487	$ 69	2.9 %
All Other	131	1,493	106	7.6
Healthcare & Family Services	383	4,532	(140)	(3.0)
Human Services	243	2,138	64	3.1
Higher Education:				
Student Assistance Commission	91	340	0	0.0
Community College Board	79	260	(5)	(1.9)
Other	2	21	(30)	(58.8)
Teacher's Retirement	93	744	202	37.3
Children and Family Services	32	472	86	22.3
Aging	32	268	38	16.5
Revenue	2	15	2	15.4
All Other	22	287	48	20.1
Total, Awards and Grants	$ 1,497	$ 13,057	$ 440	3.5 %

MARCH 2008

GENERAL FUNDS REVENUES, EXPENDITURES AND BALANCES
(Dollars in Millions)

	March 2008	Nine Months FY 2008	Change From Prior Year $	%
Total General Funds				
Available Balance	$ 327	$ 642	$ 52	8.8 %
Revenues	2,467	22,533	875	4.0
Expenditures	2,584	22,965	1,020	4.6
Ending Balance	$ 210	$ 210	$ (93)	(30.7) %
General Revenue Fund				
Available Balance	$ 49	$ 224	$ 158	239.4 %
Revenues	2,139	19,445	790	4.2
Expenditures	2,161	19,642	945	5.1
Ending Balance	$ 27	$ 27	$ 3	12.5 %
Common School Special Account Fund				
Available Balance	$ 85	$ 36	$ (5)	(12.2) %
Revenues	139	1,356	10	0.7
Expenditures	132	1,300	(27)	(2.0)
Ending Balance	$ 92	$ 92	$ 32	53.3 %
Education Assistance Fund				
Available Balance	$ 163	$ 375	$ (88)	(19.0) %
Revenues	105	1,039	46	4.6
Expenditures	208	1,354	83	6.5
Ending Balance	$ 60	$ 60	$ (125)	(67.6) %
Common School Fund				
Available Balance	$ 29	$ 7	$ (13)	(65.0) %
Revenues	283	2,613	(15)	(0.6)
Expenditures	281	2,589	(25)	(1.0)
Ending Balance	$ 31	$ 31	$ (3)	(8.8) %

Note: Total General Funds excludes interfund transfers while the individual funds include such transfers. Numbers may not add due to rounding.

GENERAL FUNDS REVENUES
(Dollars in Millions)

Revenues:	March 2008	Nine Months FY 2008	Change From Prior Year $	%
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	$ 757	$ 6,893	$ 586	9.3 %
Corporate	340	1,120	73	7.0
Total, Income Taxes	$ 1,097	$ 8,013	$ 659	9.0 %
Sales Taxes	560	5,411	34	0.6
Other Sources:				
Public Utility Taxes	102	853	6	0.7
Cigarette Taxes	29	263	0	0.0
Inheritance Tax (gross)	34	291	93	47.0
Liquor Gallonage Taxes	10	120	3	2.6
Insurance Taxes and Fees	25	198	(4)	(2.0)
Corporation Franchise Tax and Fees	17	166	19	12.9
Investment Income	10	154	0	0.0
Cook County IGT	0	193	15	8.4
Other	33	330	1	0.3
Total, Other Sources	$ 260	$ 2,568	$ 133	5.5 %
Total, Cash Receipts	$ 1,917	$ 15,992	$ 826	5.4 %
Transfers In:				
Lottery Fund	$ 61	$ 477	$ 30	6.7 %
State Gaming Fund	25	454	(1)	(0.2)
Other Funds	44	371	(133)	(26.4)
Total, Transfers In	$ 130	$ 1,302	$ (104)	(7.4) %
Total, State Sources	$ 2,047	$ 17,294	$ 722	4.4 %
Federal Sources	$ 420	$ 3,463	$ (158)	(4.4) %
Total, Base Revenues	**$ 2,467**	**$ 20,757**	**$ 564**	**2.8 %**
Short Term Borrowing	0	1,200	300	33.3
Cash Flow Transfer - Hospital Provider Fund	0	300	11	3.8
Transfer from Budget Stabilization Fund	0	276	0	0.0
Total, Revenues	$ 2,467	$ 22,533	$ 875	4.0 %

GENERAL FUNDS ANALYSIS OF EXPENDITURES
(Dollars in Millions)

Expenditures:	March 2008	Nine Months FY 2008	Change From Prior Year $	%
Awards and Grants:				
Healthcare & Family Services	$ 667	$ 5,199	$ (105)	(2.0) %
Elem. & Sec. Education:				
State Board of Education	771	4,750	268	6.0
Teachers Retirement	93	837	227	37.2
Total, Elem. & Sec. Education	$ 864	$ 5,587	$ 495	9.7 %
Human Services	249	2,387	98	4.3
Higher Education	65	686	(39)	(5.4)
All Other Grants	113	1,156	142	14.0
Total, Awards and Grants	$ 1,958	$ 15,015	$ 591	4.1 %
Operations:				
Other Agencies	$ 476	$ 4,232	$ 304	7.7 %
Higher Education	83	1,271	91	7.7
Total, Operations	$ 559	$ 5,503	$ 395	7.7 %
Regular Transfers Out	$ 300	$ 2,219	$ 133	6.4 %
All Other	$ 1	$ 8	$ (3)	(27.3) %
Vouchers Payable Adjustment	$ (234)	$ (1,280)	$ (696)	N/A
Total, Base Expenditures	**$ 2,584**	**$ 21,465**	**$ 420**	**2.0 %**
Cash Flow Transfer - Hospital Provider Fund	0	1,200	300	33.3
Transfers to Repay GRF Short-Term Borrowing	0	300	300	N/A
Total, Expenditures	$ 2,584	$ 22,965	$ 1,020	4.6 %

COMPARISON OF SPENDING FOR OPERATIONS BY OBJECT
(Dollars in Millions)

	March 2008	Nine Months FY 2008	Change From Prior Year $	%
Personal Services:				
Regular Positions	$ 264	$ 2,912	$ 227	8.5 %
Other Personal Services	16	148	14	10.4
Total, Personal Services	$ 280	$ 3,060	$ 241	8.5 %
Contribution Retirement	35	331	48	17.0
Contribution Social Security	15	143	10	7.5
Contribution Group Insurance	98	807	(18)	(2.2)
Contractual Services	53	516	52	11.2
Travel	2	15	0	0.0
Commodities	10	92	7	8.2
Printing	1	6	0	0.0
Equipment	1	15	(2)	(11.8)
Electronic Data Processing	2	24	(5)	(17.2)
Telecommunications	6	44	8	22.2
Automotive Equipment	3	23	5	27.8
Other Operations	53	427	49	13.0
Total, Operations	$ 559	$ 5,503	$ 395	7.7 %

COMPARISON OF SPENDING FOR AWARDS AND GRANTS
(Dollars in Millions)

	March 2008	Nine Months FY 2008	Change From Prior Year $	%
State Board of Education:				
General State Aid	$ 387	$ 2,874	$ 114	4.1 %
All Other	384	1,876	154	8.9
Healthcare & Family Services	667	5,199	(105)	(2.0)
Human Services	249	2,387	98	4.3
Higher Education:				
Student Assistance Commission	64	404	17	4.4
Community College Board	0	260	(5)	(1.9)
Other	1	22	(51)	(69.9)
Teacher's Retirement	93	837	227	37.2
Children and Family Services	54	526	79	17.7
Aging	32	300	34	12.8
Revenue	3	18	3	20.0
All Other	24	312	26	9.1
Total, Awards and Grants	$ 1,958	$ 15,015	$ 591	4.1 %

LONG-TERM DEBT

Did You Know…

- At the end of fiscal year 2007, outstanding general obligation bonds totaled $19.9 billion, including $10 billion in pension funding bonds.
- Outstanding revenue bonds of state agencies at the end of fiscal year 2007 totaled $37.2 billion.
- With no major bond authorization since 2002 and 2003, infrastructure projects have waned:
  - ✓ Active projects with the Capital Development Board have decreased from 1,003 to 426.
  - ✓ The number of bridges/structures improved annually by the Department of Transportation has declined from 333 in fiscal year 2002 to 274 in fiscal year 2007.
  - ✓ The number of miles of roads improved annually has decreased from 1,996 miles in fiscal year 2001 to 908 miles in fiscal year 2007.
- Illinois ranks 6th highest among all states with net tax-supported debt equal to 5.2% of personal income. On a per capita basis, Illinois' net tax-supported debt was $1,985.
- Anti-pollution bonds have allowed the Environmental Protection Agency to provide loans to local governments for water pollution control and public water supplies, and to provide funding for the clean-up of leaking underground storage tanks.

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