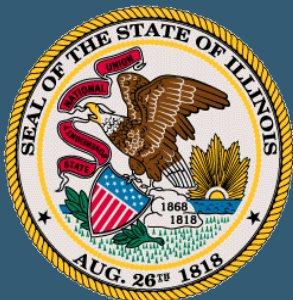




State of Illinois

General Obligation Bonds – Investor Presentation
March 11, 2019



Fiscal Year 2020 Budget – Meeting the Challenges of Illinois' Third Century

The proposed fiscal year 2020 budget lays out a path to restore Illinois to a place of fiscal and economic health. It represents a down payment on my administration's priorities:

- ✓ Restore Economic and Budgetary Stability
 - ✓ Implement a fair income tax system
 - ✓ Stabilize pension funding
 - ✓ Eliminate structural deficits
- ✓ Create a World Class Education System Accessible to All
 - ✓ Invest in our children from cradle to career
 - ✓ Invest in the higher education infrastructure
- ✓ Strengthen Illinois' Social Safety Network
 - ✓ Assist the state's most vulnerable
- ✓ Reform the Criminal Justice System and Invest in Public Safety
- ✓ Rebuild and Expand Illinois' Infrastructure
 - ✓ We need to do more than just fix what's broken
 - ✓ Invest in roads, facilities and broadband
- ✓ Make Illinois a World Leader/Competitive in a Global Economy

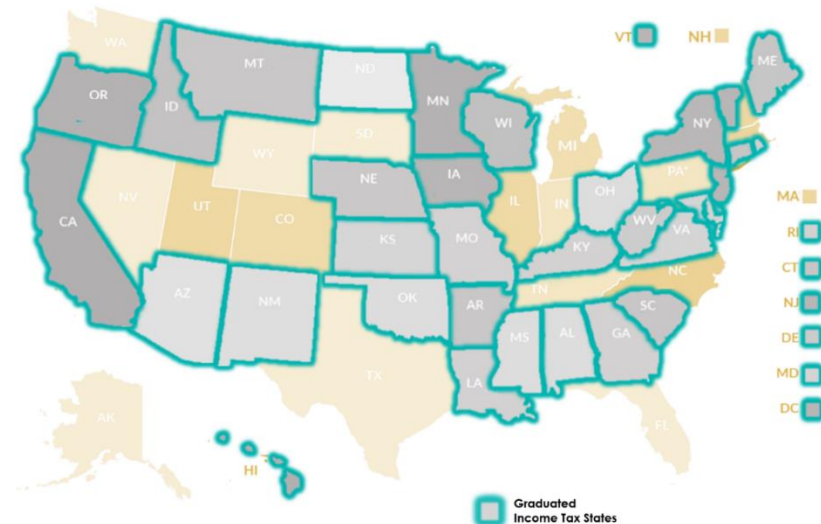


A Call for a Fair Income Tax System

Illinois' current tax structure is unfair and unsustainable.

- ✓ Illinois' fiscal health depends on the passage of a constitutional amendment to allow for a fair income tax system.
- ✓ Thirty-three states and the federal government have graduated income tax rates based on varying income levels.
- ✓ Only nine states tax income at a single rate.
- ✓ According to the Institute on Taxation and Economic Policy (ITEP), Illinois has the eighth most regressive tax system in the country.
- ✓ The lowest 20 percent of earners pay 6.8 percent of their income in sales and excise taxes while the top one percent of earners pays just 0.8 percent of their income in sales and excise taxes.¹

States with Graduated Income Tax Systems



¹ <https://itep.org/illinois/>



Basic Options for Addressing the State's Fiscal Challenges

Option 1: Across the Board Cuts

Illinois would cut its discretionary spending by 15 percent. Discretionary spending includes:

- ✓ K-12 education
- ✓ Universities and community colleges
- ✓ State Police
- ✓ Social service agencies

Option 2: Flat Tax Increase

Illinois would raise the flat tax rate from 4.95 percent to 5.95 percent – meaning that every family in the state would pay higher taxes.

For example, a single mom making \$61,000 would pay an additional \$521 in taxes.

Option 3: Fair Income Tax

Illinois would change its system so the wealthy pay more, like in 33 other states. 97 percent of taxpayers would have a lower tax bill, while those making more than \$250,000 would pay more and generate \$3.4 billion in additional revenue.

The same single mom would pay \$271 less, a difference of \$792 compared to Option 2.



Fair Income Tax Elements

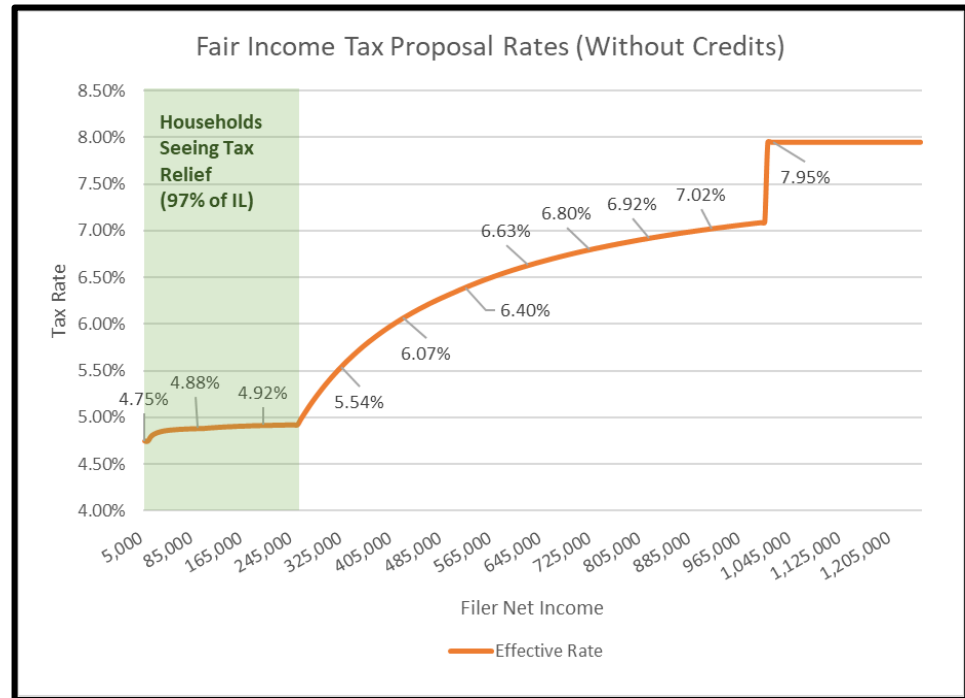
- ✓ Filers at or below \$250,000 – 97% of taxpayers – will have lower tax bill
- ✓ 20% increase in current property tax credit against state income taxes
 - ✓ Credit goes from 5% of property taxes paid to 6% of property taxes paid (estimated value \$100 million)
- ✓ \$100 per child Child Tax Credit for:
 - ✓ Single filers under \$80K (phase-out starting @ \$40K)
 - ✓ Joint filers under \$100K (phase-out starting @ \$60K)
- ✓ Top rate of 7.95% once income exceeds \$1.0 million
 - ✓ Once income reaches \$1.0 million, entire income is taxed at 7.95% rate
- ✓ Corporate income tax rate to match top individual income tax rate (7.95%)



Fair Income Tax Rates Proposal

Single & Joint Filers		
Marginal Rates	Net Income Level	% of IL Taxpayers
4.75%	\$0 - \$10,000	27.2%
4.90%	\$10,001 - \$100,000	58.9%
4.95%	\$100,001 - \$250,000	11.1%
7.75%	\$250,001 - \$500,000	1.9%
7.85%	\$500,001 - \$1,000,000	0.6%
7.95%	Over \$1,000,000	0.3%

In addition...	
97% of earners get tax relief	✓
20% Increase in Property Tax Credits	✓
\$100 Per Child Tax Credit	✓



Path to a Fair Income Tax System

Legislative Action

- Constitutional amendment must be approved by three-fifths of the members of both chambers.

General Election

- Once approved, the amendment would be put to the voters for the November 2020 election.

Voter Action

- Amendment becomes effective if approved by either 60% of those voting on the amendment or a majority of those voting in that election.

Statutory Changes

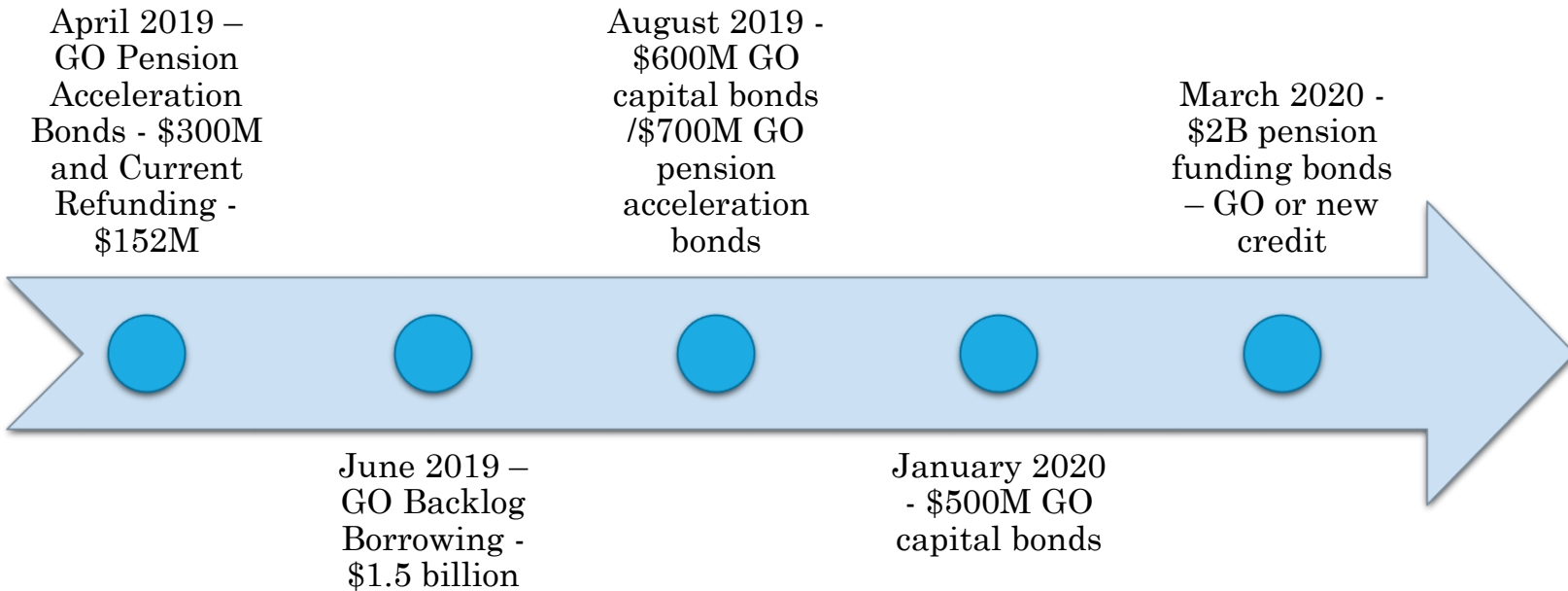
- Income tax rates would be passed in separate legislation with the implementation contingent on the passage of the constitutional amendment.

Revenue Collection

- If approved by voters, fair tax could be implemented as early as January 2021, providing a half year of additional revenue to the state in fiscal year 2021.



Tentative FY 2019 – FY 2020 Bond Sale Issuance Schedule



GO stands for General Obligation.

Note: Outlined is the projected bond sale issuance schedule; project related bond sales reflect current capital project needs. The state will seek legislative authority to issue the March 2020 bonds as individual income tax (IIT) revenue bonds to achieve more favorable pricing and demand from investors. Please note all par amounts are preliminary and subject to change.



Sustaining the Pension Systems

A Five-Tiered Approach

- 1) New dedicated revenue from the fair income tax on top of certified amounts
- 2) Extend the current pension buyout program
- 3) Infuse the systems with additional assets from the issuance of new pension funding bonds of \$2 billion
- 4) Establish two task forces: Pension Asset Value and Transfer Task Force and a Pension Consolidation Task Force
- 5) Restructure the pension debt to make payments more sustainable by modestly extending the target date to fiscal year 2052



Tentative Transaction Timeline and Contacts

Date*	Event*
March 14 th	Receive Rating
March 21 st	Competitive Bond Sales
April 4 th	Closing

March 2019						
S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

April 2019						
S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

State of Illinois

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*Preliminary, subject to change

