State of Illinois

General Obligation Bonds Rating Agency Information

March 11, 2020

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Presentation Participants

Office of Management and Budget

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

Cameron Mock, Chief of Staff

Paul Chatalas, Director of Capital Markets

Recent Legislative Accomplishments Bolster the State's Inherent Credit Strengths

Governor's First Year Accomplishments

- ✓ A balanced bipartisan State budget passed on time
- ✓ Approval and launch of Rebuild Illinois - a bipartisan historic capital plan
- ✓ Increased state K-12 funding
- ✓ Legalizing adult-use cannabis with strong social equity provisions
- ✓ Suburban and downstate police and firefighter pension fund investment consolidation
- ✓ Initiatives to expand apprenticeships and to set strong diversity goals in public works projects

Inherent Illinois Credit Strengths

- ✓ Sovereign State with significant revenue flexibility
- ✓ Illinois' economy is the 5th largest in the United States and 18th largest worldwide
- ✓ Statutory provisions give priority to debt service over other State expenditures
- ✓ GO Bond debt service has an irrevocable and continuing appropriation, insulating it from political debates
- ✓ GO Bond debt service is limited by statute, unless waived by the Treasurer and the Comptroller

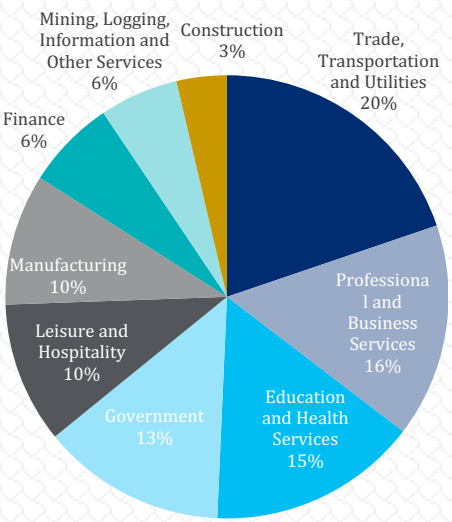
The Governor and the General Assembly Worked Together in a Bipartisan Manner to Return Sensible Governance to Illinois

1. Illinois’ Strong and Diverse Economy

Illinois' Strong Economic Foundation

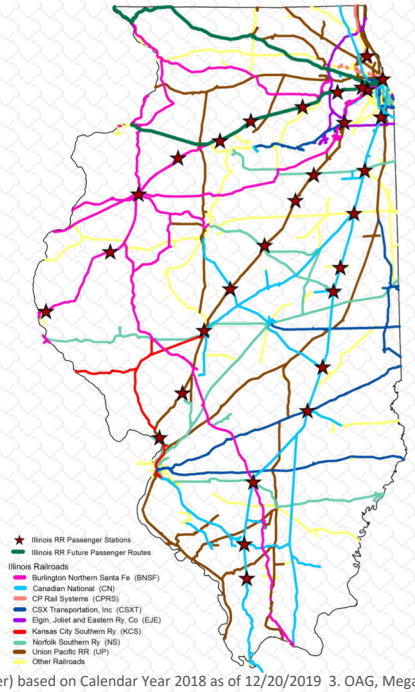
Strong and Diverse Economy

- Broad employment base with no industry accounting for more than 20%[1]
- Illinois is well-positioned for long-term stability through economic cycles
- State's diversified economy is a major attraction for workers and recent graduates across the nation



Expansive Transportation Network

- The State is home to the 3rd and 27th busiest U.S. airports in O'Hare and Midway[2]
- O'Hare is the Best Connected Airport in the US and third worldwide[3]
- Illinois is the only state where all 7 class I railroads in the United States operate[4]



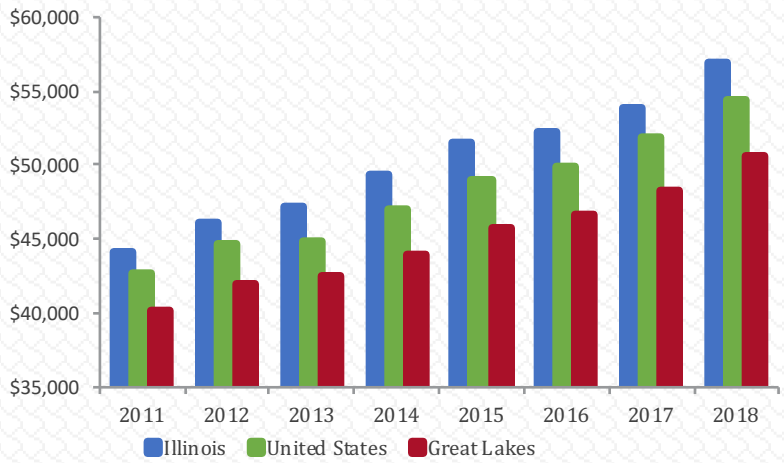
Highly Educated Population

- Illinois is home to top ranked universities bringing talented and educated individuals to the State
- 35.1% of Illinois residents have college degrees, above the US at 32.6% and the Midwest region at 31.1%[5]

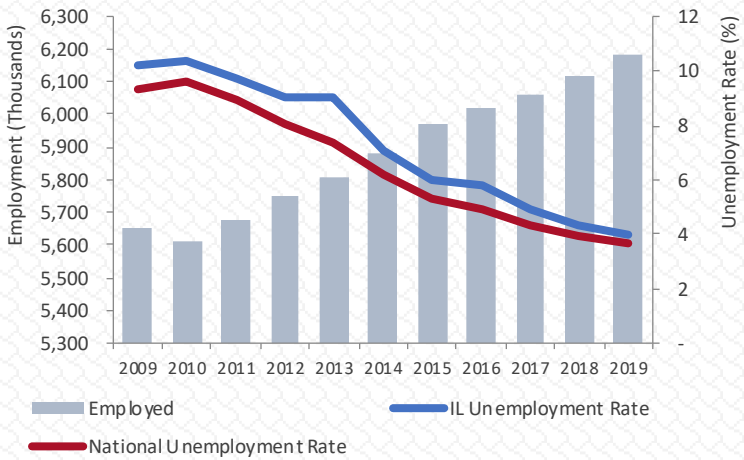
1. Bureau of Economic Analysis, as of June 2019 2. FAA, Commercial Service (Rank Order) based on Calendar Year 2018 as of 12/20/2019 3. OAG, Megahubs International Index 2019
4. IDOT, http://idot.illinois.gov/transportation-system/Network-Overview/rail-system/index 5. 2018 American Community Survey 1 year estimates, those with a bachelor's degree or higher as a share of population 25 years or older

Illinois' Robust Economic Indicators

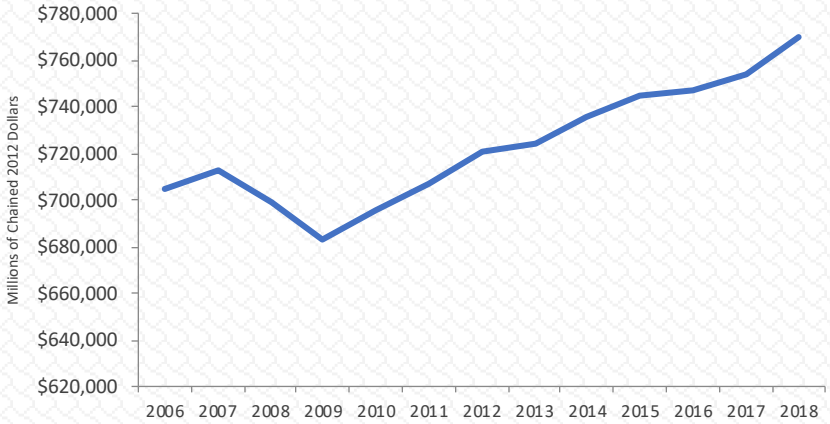
Per Capita Personal Income[1]



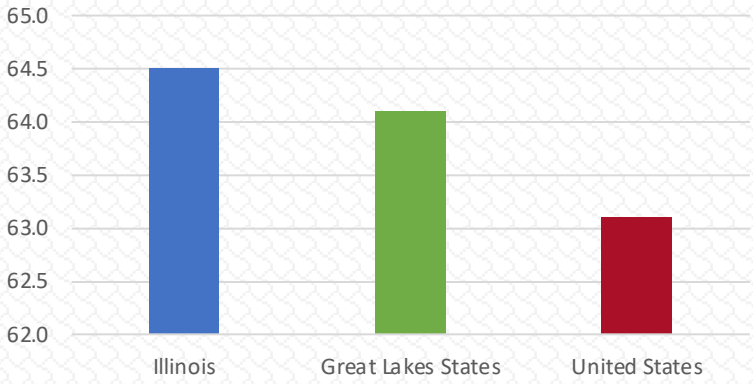
Average Non-farm Employment and Unemployment[2]



Illinois Real GDP[3]



Labor Force Participation Rate, 2019 Average[4]



1: Bureau of Economic Analysis as of September 24, 2019 2. Bureau of Labor Statistics, seasonally adjusted, 2019 IL numbers are preliminary 3. Bureau of Economic Analysis, 11/7/2019.
4. U.S. Department of Labor, seasonally adjusted, Great Lakes States include Illinois, Indiana, Michigan, Ohio and Wisconsin

2. Governor's Proposed FY 2021 Budget and Update on FY 2020 Enacted Budget

Potential Public Act 101-0008 Rate Changes

- ✓ In spring 2019, the General Assembly adopted SJRCA 0001 which would remove Illinois' constitutional requirement for a flat income tax rate.
- ✓ This constitutional amendment will be voted on in the November 2020 general election.
- ✓ Concurrently with SJRCA 0001, Public Act 101-0008 was enacted, which specifies new tax rates that take effect on January 1, 2021 if the constitutional amendment is adopted.
- ✓ Public Act 101-0008 creates six separate marginal tax rates.
- ✓ Taxpayers who file as "single" reach the top tax rate of 7.99 percent when their net income exceeds $750K; taxpayers who file as "married, filing jointly" reach the top rate when their net income exceeds $1.0 million.
- ✓ The corporate income tax rate, a flat rate, matches the top individual income tax rate of 7.99 percent.

Public Act 101-0008 Income Tax Rates		
Marginal Rates	***Net Income Level, Single Filers***	***Net Income Level, Joint Filers***
4.75%	$0 - $10,000	$0 - $10,000
4.90%	$10,001 - $100,000	$10,001 - $100,000
4.95%	$100,001 - $250,000	$100,001 - $250,000
7.75%	$250,001 - $350,000	$250,001 - $500,000
7.85%	$350,001 - $750,000	$500,001 - $1,000,000
7.99%	Over $750,000	Over $1,000,000

At the top rate, the 7.99% rate applies to all net income.

3. Pension Updates

Update on Accelerated Pension Benefit Programs

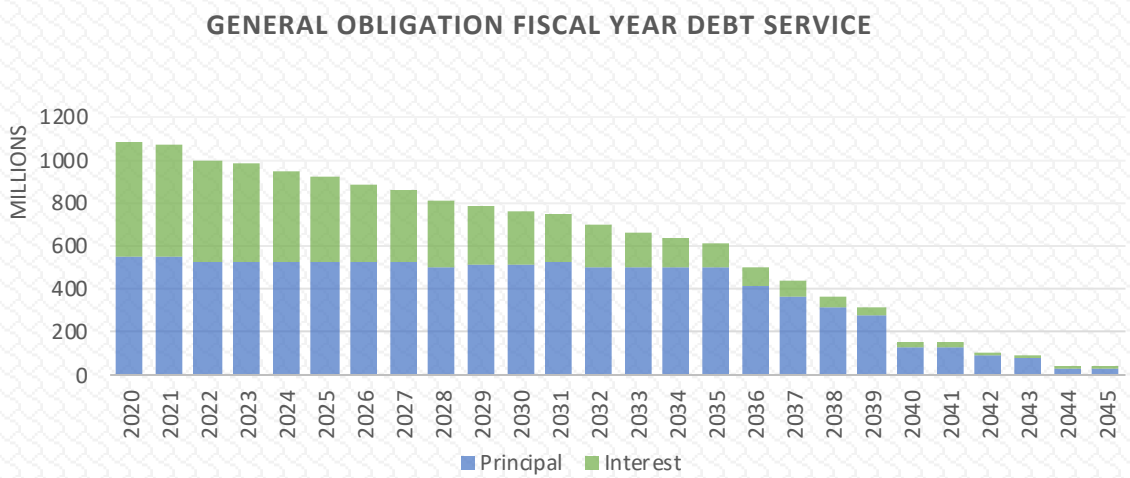
- Accelerated Pension Benefit Programs (P.A. 100-587)
  - **The Pension Buyout Program**: Eligible members of SERS, TRS and SURS who have terminated service may forfeit all rights to future benefit payments in exchange for an accelerated pension benefit payment equal to 60% of the present value of the pension benefit to which the member is entitled
  - **The AAI Reduction Program**: At the time of retirement, eligible Tier 1 members of SERS, TRS and SURS may forfeit the 3%, compounded automatic annual increase ("AAI") in exchange for (i) a 1.5% non-compounded AAI and (ii) an accelerated pension benefit payment from the State equal to 70% of the difference in the present value of such AAIs
- Public Act 101-0010 (enacted June 5, 2019) extended the end date of the programs from June 30, 2021 to June 30, 2024
- Updates:
  - As of March 1, 2020, the balance in the Pension Obligation Acceleration Bond Fund was approximately $81 million, meaning approximately $217 million of the April 2019A proceeds have been spent out of the fund
  - As of February 18, 2020, TRS's AAI Reduction Program participation was 14.7% and its Pension Buyout Program participation was 6.25%
  - As of February 19, 2020, SERS's AAI Reduction Program participation was 23.5% and its Pension Buyout Program participation was less than 1%

4. Debt Overview

General Obligation Bond Overview

- General Obligation bonds are backed by the full faith and credit of the State
- There is a continuing appropriation in place to ensure bond repayment without action by the General Assembly
- GOBRI is a separate fund in the Treasury that is dedicated to the payment of debt service on GO bonds and short-term debt
- Segregation of funds for debt service begins 12 months in advance for principal payments and 6 months in advance for interest payments
- As of March 1, 2020, all the State's outstanding debt is fixed rate, with no variable rate debt or interest rate swap agreements
- Average life of all outstanding GO Bonds is approximately 7.9 years

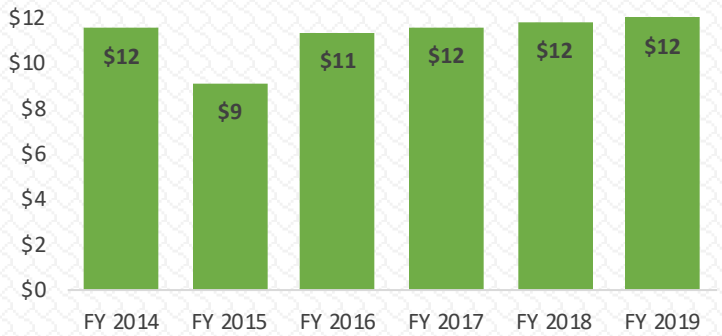
Par Outstanding as of March 1 2020	
Bill Backlog Bonds	$5.0 Billion
Capital Improvement and Refunding Bonds	$13.0 Billion
Pension Bonds	$8.9 Billion
Total	**$27.2 Billion**



Strength of the State's GO Pledge

- Monies are transferred monthly to the GOBRI Fund and, by law, are used for the payment of GO Bonds issued under the Bond Act and for the payment of Short-Term Debt
- The Bond Act constitutes an irrevocable and continuing authority for and direction to the Treasurer and Comptroller to make the necessary transfers to the GOBRI Fund
  - The State can draw from all State funds in the State Treasury that are not restricted by law to another use if needed to pay debt service on GO bonds
- GOMB estimates $1.7 billion in transfers from the General Revenue Fund to GOBRI in FY 2021, with the balance expected from other State funds
- As of March 1, 2020, $1.1 billion was available in GOBRI

Fiscal Year End All Fund Cash Balances ($ Billions)[1]



Transfers to GOBRI for Payment of Debt Service[2]
($ in millions)

	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Estimate	FY 2021 Projection
General Revenue Fund					
Capital Bonds	$626	$797	$670	$390	$199
Pension Bonds	1,609	1,576	1,242	646	683
Section 7.6 Bonds	-	527	782	757	772
Pension Acceleration	-	-	7	34	52
GRF subtotal	**2,235**	**2,899**	**2,701**	**1,827**	**1,706**
Road Fund	305	349	339	390	551
School Infrastructure Fund	115	172	107	159	176
Capital Projects Fund	477	285	431	682	828
Total[3]	**$3,133**	**$3,706**	**$3,579**	**$3,059**	**$3,262**

1. Does not include Federal Trust Funds. Includes GOBRI. June 30, 2016 balance shows an increase from FY 2015 due in part to the late enactment of FY 2016 appropriations for many State funds.
2. Estimates for FY 2021 are as of February 2020. Does not include debt service transfers on short-term debt as may have been from time to time outstanding
3. Totals may not add due to rounding.

5. Key Staff Bios

Presentation Participants

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

Mrs. Sturm, who joined GOMB as director in January 2019, has over 20 years of experience in Springfield working on state fiscal policy, debt management, and administration. Most recently, she was the director of cash management and bond reporting for the Office of the Comptroller. She previously worked at GOMB. From 2015 to 2017, she served as chief of staff and deputy director for debt, capital, and revenue and from 1997 to 2004, she worked in senior roles in debt management and revenue and economic analysis. From 2004 to 2015, Ms. Sturm served as director of research and fiscal reporting and senior fiscal advisor for the Office of the Comptroller. She received her Bachelor of Arts in Economics from Miami University and a Master of Arts in Economics from Washington University in St. Louis.

Cameron Mock, Chief of Staff

Mr. Mock is Chief of Staff to the Governor's Office of Management and Budget (GOMB) and Senior Fiscal Advisor to the Deputy Governor. Previous to this role, he served as Senior Policy Advisor for Chicago Public Schools (CPS). Prior to joining CPS, Mr. Mock advised the Michigan Senate on education finance, economics and revenue, at the Senate Fiscal Agency and later joined GOMB in Illinois as Budget Manager. He received his BA in Political Science Pre-Law, with a minor in Philosophy & Law, and his Master of Public Policy (MPP) from Michigan State University, specializing in economics and public finance.

Paul Chatalas, Director of Capital Markets

Mr. Chatalas has more than 25 years of combined public policy and public finance experience, most recently as a Managing Director in US Bancorp's Municipal Products Group. His public finance experience spans more than 15 years and began with UBS Investment Bank in New York. He holds a Master of Public Administration from Columbia University's School of International and Public Affairs. Mr. Chatalas spent several years working on Capitol Hill for members of the U.S. House and Senate, including members of the Budget and Appropriations Committees. He is on the President's Leadership Council of the Field Museum, and currently sits on the Exhibitions Committee of the Board of Trustees.