Accomplishments of Spring 2019 Legislative Session

- Passage of a bipartisan balanced FY 2020 budget
- Passage of the Fair Income Tax Amendment that will be voted on by Illinoisans in November 2020, along with P.A. 101-008, establishing the rates contingent upon passage of the amendment
- Passage of the bipartisan $45 billion Rebuild Illinois capital plan, the largest infrastructure investment in Illinois history
- Passage of a minimum wage increase
- Legalization of adult-use cannabis
- Passage of gaming expansion and legalization of sports betting

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
Fiscal Year 2020 Operating Budget – A Balanced, Bipartisan Budget that Marks a New Era of Fiscal Stability

The enacted $40.1 billion fiscal year 2020 budget begins to pay down Illinois’ debt and return the State to fiscal stability.

Balanced

✓ The budget agreement estimated a $150 million surplus that will be used to pay down a portion of the State’s bill backlog

Makes key investments

✓ Increases K-12 Evidence-Based Funding by $378.6 million
✓ Increases Early Childhood Education funding by $50 million to a record high level
✓ Expands child care assistance to an additional 10,000 children
✓ Full appropriation for the state retirement systems as required by Illinois law

Revenue Changes

✓ $500 million from MCO assessment
✓ $175 million from a tax amnesty program
✓ $94 million from decoupling from the federal deduction for repatriated income
✓ $15 million for an e-cigarette tax imposed at a rate of 14.5%
✓ Authorizes $1.2 billion in backlog borrowing to achieve interest savings
✓ Phase-out of corporate franchise tax
✓ Authorized legislation to improve online sales tax collections at online marketplaces
The Fair Income Tax Proposal Provides Tax Relief for 97% of Illinois Households While Helping to Address the State’s Fiscal Challenges

### Public Act 101-008 Fair Income Tax

<table>
<thead>
<tr>
<th>Marginal Rates</th>
<th>Net Income Level, Single Filers</th>
<th>Net Income Level, Joint Filers</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.75%</td>
<td>$0 - $10,000</td>
<td>$0 - $10,000</td>
</tr>
<tr>
<td>4.90%</td>
<td>$10,001 - $100,000</td>
<td>$10,001 - $100,000</td>
</tr>
<tr>
<td>4.95%</td>
<td>$100,001 - $250,000</td>
<td>$100,001 - $250,000</td>
</tr>
<tr>
<td>7.75%</td>
<td>$250,001 - $350,000</td>
<td>$250,001 - $500,000</td>
</tr>
<tr>
<td>7.85%</td>
<td>$350,001 - $750,000</td>
<td>$500,001 - $1,000,000</td>
</tr>
<tr>
<td>7.99%</td>
<td>Over $750,000</td>
<td>Over $1,000,000</td>
</tr>
</tbody>
</table>

### Legislative Action
- Constitutional amendment has been approved by three-fifths of the members of both chambers.

### Statutory Changes
- Income tax rates were passed in separate legislation with the implementation contingent on the passage of the constitutional amendment.

### General Election
- The amendment will 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.

### Revenue Collection
- If approved by voters, under P.A. 101-008, the fair tax would be implemented in January 2021, providing a half-year of additional revenue to the state in fiscal year 2021.

In addition ...

- är $3.6 billion in additional revenue
- 97% of earners get tax relief
- 20% Increase in Property Tax Credits
- $100 per Child Tax Credit

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1. Once income reaches the top threshold, entire income is taxed at 7.99% rate
2. Income thresholds for property tax credits remain unchanged from current law; for Child Tax Credit, single filers eligible up to $80,000 in net income and married/joint filers eligible up to $100,000 in net income, with credit phase-out starting at $40,000 and $60,000, respectively
Overview of Estimated FY 2019 Fiscal Results

- FY 2019 individual income tax revenues were 8.5% higher than the prior year’s, and strong income and sales tax revenue performance helped to essentially close the budget deficit while the State was able to address supplemental spending pressures, including back step payments to AFSCME.

- Total State revenue sources in FY 2019 were 8.2% higher compared to FY 2018

- Transfers for GO debt service payments fell in FY 2019 by 8.31%, reflecting the retirement of the 2011 pension bonds in March 2019

- Final FY19 results will be available after the close of the State’s lapse period.
The State’s **$45 billion six-year capital plan** is the largest infrastructure investment in Illinois history, creating jobs, repairing roads and bridges and building major projects that are essential to Illinois’ future.

The Rebuild Illinois plan includes:

- New bonded appropriations totaling $20.8 billion
- Pay-as-you-go totaling $10.4 billion
- Federal and local matches totaling $13.6 billion

Prior year capital projects received reappropriations totaling $6.4 billion in bonded funds and $7.6 billion in pay-as-you-go funds.

### REBUILD ILLINOIS BY CATEGORY (MILLIONS)

<table>
<thead>
<tr>
<th>Category</th>
<th>Annual State Revenue – full implementation ($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>$33,243, 74%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>$2,938, 7%</td>
</tr>
<tr>
<td>PreK-12 Education</td>
<td>$526, 1%</td>
</tr>
<tr>
<td>State Facilities</td>
<td>$4,358, 10%</td>
</tr>
<tr>
<td>Environment/Conservation</td>
<td>$1,008, 2%</td>
</tr>
<tr>
<td>Broadband Development</td>
<td>$420, 1%</td>
</tr>
<tr>
<td>Economic &amp; Community Development</td>
<td>$1,848, 4%</td>
</tr>
<tr>
<td>Healthcare &amp; Human Services</td>
<td>$465, 1%</td>
</tr>
<tr>
<td><strong>ESTIMATED TOTAL</strong></td>
<td><strong>$2,753</strong></td>
</tr>
</tbody>
</table>

*The Motor Fuel Tax will increase annually based on the Consumer Price Index. Local governments receive 52 percent of the Motor Fuel Tax revenues.

**Beginning in FY2022, 1% of the 5% state tax on motor fuel purchases will shift from a deposit into the General Funds to the Road Fund annually, with the full 5% deposited into the Road Fund by FY2026.

***Gaming includes $350M in recurring annual revenue at full implementation between casinos, video gaming and sports wagering. Upfront license fees associated with gaming expansion will be dedicated to pay-go Rebuild Illinois projects.
The State is looking at a fall bond sale for capital purposes

The State is authorized to issue up to $1.2 billion of Section 7.6 General Obligation bonds to pay backlogged bills.