A Message to Illinois Taxpayers

February 2008

I present to you the report of the State's bonded indebtedness. Bonded debt, sometimes referred to as long-term debt, is typically used to finance infrastructure improvements such as road repairs, new buildings, school construction, etc. This is the equivalent of taking out a mortgage to purchase a new home or a home equity loan to make improvements.

This report of Bonded Indebtedness and Long Term Obligations presents a complete picture of the State's indebtedness in the categories of General Obligation Bonds, Special Obligation Bonds and Revenue Bonds.

General obligation debt is backed by the full faith and credit of the State and is considered direct debt of the State. Special obligation debt is also considered direct debt of the State, but is not backed by the full faith and credit of the State. Rather, special obligation debt is supported and repaid only by a dedicated State revenue source (e.g. Build Illinois Bonds are primarily supported and repaid through sales tax proceeds).

Revenue bonds are not backed by the full faith and credit of the State, but are backed by a specified revenue stream. Revenue bonds can be considered conduit debt, which implies no obligation for the State (e.g. Illinois Finance Authority bonds supported by project revenues or receipts). Revenue bonds can also be considered moral obligation debt, which means that if resources from the specified revenue stream are insufficient to support the debt service the State is then obligated (e.g. Metropolitan Pier and Exposition Authority bonds). Finally, some revenue bonds are classified as indirect debt, which means that the asset is the property of a local government but part of the debt service comes from State resources (e.g. Illinois Sports Facilities Authority owns U. S. Cellular Park, paid in part by the hotel tax).

This report shows that total debt outstanding remained at $59.4 billion, the same in Fiscal Year 2007 compared to Fiscal Year 2006. This compares to 3.9% growth in Fiscal Year 2006, 5.5% growth in Fiscal Year 2005, 4.9% growth in Fiscal Year 2004, and 33.6% growth in Fiscal Year 2003.

General obligation debt decreased $326 million (1.6%) in Fiscal Year 2007. In Fiscal Year 2006, general obligation debt increased $358 million (1.8%) from Fiscal Year 2005.

When debt is issued, independent credit rating agencies attach a rating to the issue. The ratings attached to all bonds associated with the State affect interest payments and the cost to Illinois taxpayers. Individual bond ratings will vary, but the general and special obligation bond ratings are directly related to the financial condition of the State. As of June 30, 2007, Illinois' general obligation bond rating was unchanged at AA by Standard and Poor's, Aa3 by Moody's Investor Services and AA by Fitch Ratings.

The State's special obligation bond ratings also remained the same, ranging from AAA by Standard & Poor's for Build Illinois bonds to A1 by Moody's for Civic Center bonds.

Conduit debt is up 25% since Fiscal Year 2003, which can be attributed to increases in debt issued by the Illinois Finance Authority and the Illinois State Toll Highway Authority. Moral obligation debt has increased 8% since Fiscal Year 2003 due to slight increases at various agencies. Indirect debt of the State has increased 20% since Fiscal Year 2003 due to the increase in bonding at the Regional Transportation Authority through their Strategic Capital Improvement Program, the University of Illinois certificates of participation and the Illinois Sports Facilities Authority.