**IN THE CIRCUIT COURT FOR THE SEVENTH JUDICIAL CIRCUIT
SANGAMON COUNTY, ILLINOIS**

JOHN TILLMAN and **WARLANDER ASSET MANAGEMENT, LP**, Plaintiffs, v. **J.B. PRITZKER**, Governor of the State of Illinois, in his official capacity; **MICHAEL W. FRERICHS**, Treasurer of the State of Illinois, in his official capacity; and **SUSANA A. MENDOZA**, Comptroller of the State of Illinois, in her official capacity, Defendants.	Case No.: 19-CH-235

OBJECTION TO PETITION FOR LEAVE TO FILE TAXPAYER ACTION

Nearly two decades after the State issued General Obligation bonds backed by the full faith and credit of the State and applied their proceeds to the Illinois retirement systems, Petitioner seeks leave to institute an action requesting the Court declare the State a profiteering purveyor of worthless bonds and order it to default on billions of future bond payments after cashing the proceeds from selling the bonds. Petitioner similarly seeks to invalidate billions of already applied bonds issued in 2017 to pay an extraordinary backlog of unpaid vouchers, which were then accruing interest at rates greater than the subsequently issued bonds. Petitioner did not bring his suit to enjoin the issuance of the allegedly unlawful bonds *before* they were issued. Instead, Petitioner seeks to call back ships put to sea years ago, many of which are nearing their decommission date, to maximum detrimental effect. Petitioner does so without naming any holder of the bonds for a proper adjudication of their rights, instead advancing the interests of one noncitizen investor in different bonds against other bondholders, and attempting to elevate certain appropriations over others.

This extraordinary request for relief rests entirely on a single, erroneous premise that the General Assembly may incur State debt only for "projects in the nature of capital improvements," subject to only narrow exceptions. (Pet. ¶ 14; Proposed Compl. ¶ 27.) Fused with this incorrect statement of law is a policy paper masquerading as a complaint, positing that Illinois has not been wise in its fiscal decisions. The wisdom of that fiscal philosophy is a matter for the People of Illinois to determine. The Court has no role to play in that debate.

Because there is no cause of action stated in the proposed complaint and no judicial work for the Court to do in relation to the remaining allegations, and because equity firmly stands against granting the extraordinary relief requested therein, the Petition should be denied as an unjustified interference in the application of public funds.

STANDARD

"An action to restrain and enjoin the disbursement of public funds by any officer or officers of the State government may be maintained either by the Attorney General or by any citizen and taxpayer of the State." 735 ILCS 5/11-301. When brought by a citizen taxpayer, the taxpayer must petition the Court for leave to file the action. 735 ILCS 5/11-303. This procedure serves as a check upon the indiscriminate filing of such suits, *Strat-O-Seal Mfg. Co. v. Scott*, 27 Ill. 2d 563, 565–66 (1963), and the Court should deny the petition if it is not "satisfied that there is reasonable ground for the filing of such action." 735 ILCS 5/11-303; *Kaider v. Hamos*, 2012 IL App (1st) 111109, ¶ 8. Reasonable grounds are lacking where a suit is brought for ulterior, frivolous, or malicious purposes, where it is an "unjustified interference[]" in the application of public funds, *Strat-O-Seal Mfg. Co.*, 27 Ill. 2d at 565–66, or where the claims sought to be asserted fail as a matter of law, *Wirtz v. Quinn*, 2011 IL 111903, ¶¶ 6, 9; *Kaider v. Hamos*, 2012 IL App (1st) 111109, ¶¶ 6, 20, 24, 28, 33, 35. In evaluating whether reasonable grounds exist, well-pleaded nonconclusory allegations of fact must be taken as true, *Hamer v. Dixon*, 61 Ill. App. 3d 30, 31–32 (2d Dist. 1978), but conclusions or unjustified allegations should be disregarded, *Barco Mfg. Co. v. Wright*, 10 Ill. 2d 157, 162 (1956); *cf. Beacham v. Walker*, 231 Ill. 2d 51, 57–58 (2008) (§ 2–615 motion accepts as true a complaint's well-pleaded allegations of fact, but not legal or factual conclusions).

"Legislative enactments are presumed to be constitutional, and a party challenging the constitutionality of a statute bears the burden of clearly establishing a constitutional violation." *Wirtz v. Quinn*, 2011 IL 111903, ¶ 17 (citations omitted).

ISSUES AND ARGUMENT

Petitioner does not dispute that the laws authorizing the bonds he seeks to challenge specify in sufficient detail the purposes for these bonds, or that the proceeds were actually used for these purposes. Instead, he claims that these purposes were not *permissible* ones under the State Debt Clause of the Illinois Constitution (art. IX, § 9), rendering the bonds invalid, because the Clause allows general state debt to be issued only for "capital improvements, including roads, buildings, and bridges." (Proposed Compl. ¶ 14.) He is mistaken. The State Debt Clause incorporates no such limitation, and instead unambiguously requires only that a law authorizing long-term debt "set forth the specific purposes and the manner of repayment." Ill. Const., art. IX, § 9(b). The laws authorizing the 2003 and 2017 bonds that Petitioner contests plainly satisfy that requirement. The Petition therefore presents no reasonable ground for filing the complaint.

Additionally, reasonable grounds are lacking because the complaint is barred by laches and the statute of limitations, calls upon the Court to decide a nonjusticiable, political question, seeks to include as a plaintiff a noncitizen, nontaxpayer with no standing to challenge State expenditures, and has as its apparent goal a judicial determination of what constitutes wise fiscal policy.

A. The "Specific Purposes" requirement of the Illinois Constitution is met by defining in reasonable detail how funds are to be expended and paid back.

Article IX, section 9(b) of the Illinois Constitution of 1970, which governs the State's ability to issue long-term debt, provides in relevant part:

> State debt for specific purposes may be incurred . . . in such amounts as may be provided . . . in a law passed by the vote of three-fifths of the members elected to each house of the General Assembly . . . . Any law providing for the incurring . . . of debt shall set forth the specific purposes and the manner of repayment.

Ill. Const. of 1970, art. IX, § 9(b). Under the plain meaning of this provision, a law may incur state debt if it meets three requirements. It must (1) be passed by a three-fifths vote of each chamber of the General Assembly; (2) set forth the "specific purposes" for the debt; and (3) set forth the "manner of repayment."

Shortly after adoption of the Illinois Constitution of 1970, the Illinois Supreme Court unanimously held that "the 'specific purposes' requirement of article IX, section 9(b), was intended to require that laws . . . which incur debt through the issuance of bonds must define *in reasonable detail* how the funds from the sale of bonds are to be expended and the objectives to be accomplished." *People ex rel. Ogilvie v. Lewis*, 49 Ill. 2d 476, 484 (1971) (emphasis added). The 2003 and 2017 laws at issue here unquestionably satisfied this requirement.

In *Lewis*, the Court considered the constitutionality of an Act authorizing debt for:

> (1) "promoting and assuring rapid, efficient, and safe highway, air and mass transportation . . . by providing monies . . . to be used for the acquisition, construction, reconstruction, extension and improvement" of highways and transit facilities and equipment, including acquisition of real property; and (2) providing immediate relief . . . *to meet principal and interest payments* . . . [for] indebtedness issued or guaranteed prior to the passage of [the] Act [by public entities authorized to provide public transportation] . . . and *reimbursing the*

> *General Revenue Fund* for monies paid from the . . . Fund after passage . . . for such purposes.

Id. at 478–79 (emphasis added). The Act specified the total amount that could be issued and the amounts that could be spent on each purpose, and it set maximum interest rates and periods of maturity. *Id.* at 479–80. The Act also created a separate fund into which proceeds would be deposited and specified that the proceeds could be used by direction of designated State departments subject to appropriation. *Id.* at 480. Upholding the law, the Supreme Court concluded "that the Act sets forth with reasonable detail how the funds are to be expended and the objectives to be accomplished." *Id.* at 485. The same conclusion applies here because the laws authorizing the 2003 and 2017 bonds in dispute plainly satisfy this requirement by specifying in "reasonable detail" the purpose for the bonds and how their proceeds would be spent.

B. The bonds are constitutional because they were issued pursuant to laws that were passed by three-fifths vote of the General Assembly and specified the purpose of the debt and manner of repayment.

1. The bond statutes were passed by three-fifths vote of the General Assembly.

The State issued $10 billion in bonds on June 12, 2003, as authorized by Public Act 93–2 (codified at 30 ILCS 330/7.2), which, as Petitioner concedes, was passed by a three-fifths vote of the General Assembly. (Proposed Compl. ¶¶ 56–57.) The State also issued $6 billion in bonds on November 8, 2017, as authorized by Public Act 100–23 (codified at 30 ILCS 330/7.6). (Proposed Compl. ¶¶ 82–83.) This, too, was passed by a three-fifths vote of the General Assembly. *Id.* at ¶ 82.[1] Thus, the State Debt Clause's first requirement is met.

[1] Copies of the relevant parts of Public Acts 93–2 and 100–23 are attached as Exhibits A and B.

2. The specific purposes for each bond statute are set forth in sufficient detail.

The laws authorizing the 2003 and 2017 bonds set forth in reasonable detail their purposes. The 2003 bonds were "authorized to be used for the purpose of making contributions to [five] designated [state] retirement systems." P.A. 93–2, § 10; 30 ILCS 330/7.2 (West 2003). Public Act 93–2, which authorized these bonds, amended the General Obligation Bond Act (30 ILCS 330/1 *et seq.*) to add section 7.2. New section 7.2(b) created the "Pension Contribution Fund," into which the bond proceeds (less amounts for bond expenses and direct deposits to the General Obligation Bond Retirement and Interest Fund) "shall be deposited." 30 ILCS 330/7.2(b) (West 2003). Section 7.2(c) required $300 million of the proceeds to be set aside to reimburse the General Revenue Fund for then-upcoming contributions to the retirement systems in the last quarter of Fiscal Year 2003, and $1.86 billion for contributions in Fiscal Year 2004, all of which were scheduled to occur after passage of Public Act 93–2.[2] The net effect of this provision was to use bond proceeds, rather than general revenue, to make certain future contributions to the retirement systems under existing law (which the General Assembly could have amended to modify or eliminate those contributions).

The 2017 bonds were "authorized to be used for the purpose of paying vouchers incurred by the State prior to July 1, 2017,"[3] including vouchers for payments from the Health Insurance

[2] Under Public Act 88-593, referred to by Petitioner as the "Edgar Ramp," the retirement systems would submit monthly vouchers on or after the 15th day of each month. 40 ILCS 5/2-134 (West 2003) (General Assembly); 40 ILCS 5/18–140 (West 2003) (Judges); 40 ILCS 5/16–158 (West 2003) (Teachers); 40 ILCS 5/15–165 (West 2003) (State Universities); *see also* 40 ILCS 5/2-131 (West 2003) (State Employees; contributions by pay period). The last quarter of Fiscal Year 2003 was April, May, and June of 2003. The 2003 bond Act became effective April 7, 2003, prior to issuance of April vouchers.

[3] Petitioner contends that the 2003 and 2017 bonds cannot alternatively be justified under any of the short-term debt provisions of the State Debt Clause (sections 9(c) to 9(e)). (Proposed Compl. ¶¶ 70, 90.) That is true but irrelevant because, as described above, the laws authorizing these bonds, which described in reasonable detail their "specific purposes," satisfied Section 9(b).

Reserve Fund, which is used to pay providers of medical care to active and retired state employees. P.A. 100–23, § 75–10; 5 ILCS 375/13.1 (West 2016); 30 ILCS 330/7.6 (West 2017). New section 7.6(c) of the General Obligation Bond Act, added by this law, created the "Income Tax Bond Fund," into which the bond proceeds (less sale expenses) "shall be deposited." 30 ILCS 330/7.6(c).

Contributing to the State's five retirement systems and paying vouchers incurred prior to July 1, 2017 are plainly "specific purposes." There is no question that Public Act 93–2 directed easily calculable amounts of the bond proceeds to specific funds for the express purpose of funding retirement systems, including refunding a specific sum of scheduled general revenue payments to those systems. Similarly, there is no doubt that Public Act 100–23 directed the bond proceeds to be used to pay easily identifiable vouchers. The vouchers must have been incurred prior to July 1, 2017 (and prior to Public Act 100–23, which became effective July 6, 2017), and therefore required no guesswork as to their identities. Thus, each Act created a specific fund into which the bond proceeds were deposited and made clear how those proceeds were to be spent and what objectives would be accomplished. The "specific purposes" clause of article IX, section 9(b) of the Illinois Constitution required nothing more. *See Lewis*, 49 Ill. 2d at 484–85.

3. "Specific purposes" does not mean only projects in the nature of capital improvements.

Ignoring *Lewis*, Petitioner baldly asserts that "specific purposes" means "projects in the nature of capital improvements." (Pet. ¶ 14; Proposed Compl. ¶ 27.) These are, of course,

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Moreover, Petitioner's suggestion that the backlog of vouchers paid with the 2017 bonds constituted "state debt" (Proposed Compl. ¶ 90) is wrong. "State debt" is expressly defined to include "bonds or other evidences of indebtedness" that are backed by the "*full faith and credit* of the State" (e.g., general obligation bonds) or "are *required* to be repaid, directly or indirectly, from tax revenue" (e.g., revenue bonds). Ill. Const. art. IX, § 9(a) (emphasis added). Vouchers for routine purchases of goods or services are plainly neither.

different words with different meanings. If the Constitution intended to limit state debt to "capital improvements" or similar "projects," those words would have appeared in the text. But section 9(b) does not distinguish between a "permissible" or "impermissible" purpose. It plainly encompasses *any* purpose, subject only to the three-fifths vote requirement and the requirement that the Act reasonably define how the funds will be spent and the objectives that will be accomplished. *Lewis*, 49 Ill. 2d at 484.

The principles governing interpretation of the Illinois Constitution are generally the same as those for interpreting statutes. *Blanchard v. Berrios*, 2016 IL 120315, ¶ 16; *Walker v. McGuire*, 2015 IL 117138, ¶ 16. The ultimate goal in interpreting a provision of the Illinois Constitution is to determine the intent of the citizens who adopted it. *Blanchard*, 2016 IL 120315, ¶ 16; *Walker*, 2015 IL 117138, ¶ 16; *Committee for Educ. Rights v. Edgar*, 174 Ill. 2d 1, 13 (1996). That inquiry begins with "the plain and generally understood meaning of the words used," and "[w]here the language of a constitutional provision is unambiguous, it will be given effect without resort to other aids for construction." *Blanchard*, 2016 IL 120315, ¶ 16 (citations and internal quotation marks omitted); *see also Cook v. Ill. State Bd. of Elections*, 2016 IL App (4th) 160160, ¶ 18. If, after examination of the language, doubt remains about the language's meaning, "it is appropriate to consult the drafting history of the provision, including the debates of the delegates to the constitutional convention." *Blanchard*, 2016 IL 120315, ¶ 16; *see also Gregg v. Rauner*, 2018 IL 122802, ¶ 23. But "[w]here the language of a constitutional provision is unambiguous, it will be given effect without resort to other aids for construction." *Kanerva v. Weems*, 2014 IL 115811, ¶ 36. And "courts should not, under the guise of interpretation, add requirements or impose limitations that are inconsistent with the provision's plain meaning." *Cook*, 2016 IL App (4th) 160160, ¶ 18.

In accordance with these principles, the relevant language of the State Debt Clause has the plain and unambiguous meaning adopted by the Supreme Court in *Lewis*, under which a law authorizing state debt must state the debt's "specific purposes" in reasonable detail. That language excludes the additional, unwritten requirement proposed by Petitioner under which such debt may be authorized only for capital improvements. Making contributions to the retirement systems and paying down a large backlog of unpaid state vouchers are both "specific purposes," and nothing in the State Debt Clause makes them constitutionally impermissible purposes.[4]

This conclusion is reinforced by the meaning of the term "specific purposes" in connection with public finances. Before adoption of the 1970 Constitution, our Supreme Court repeatedly applied the constitutional requirement that any expenditures of public funds be supported by a valid legislative appropriation that identified in sufficient detail the specific purposes for the expenditure. *See, e.g.*, *Cont'l Ill. Nat'l Bank v. Ill. State Toll Highway Comm'n*, 42 Ill. 2d 385, 404 (1969); *Turkovich v. Bd. of Trustees of Univ. of Ill.*, 11 Ill. 2d 460, 470 (1957); *Winter v. Barrett*, 352 Ill. 441, 473–75 (1933) (stating that, to be valid, an appropriation bill "must specify the objects and purposes for which the appropriations are made," and must

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[4] Historically, debt issued by state agencies was often issued for capital improvement projects, *see*, *e.g.*, *Berger v. Howlett*, 25 Ill. 2d 128 (1962) (upholding validity of bonds issued by State Building Authority), and delegates to the 1970 Constitutional Convention sometimes referred to the use of state debt for such projects, *see* 3 Record of Proceedings, Sixth Illinois Constitutional Convention ("Proceedings") at 1933, attached hereto as Exhibit C. But even if the State Debt Clause were ambiguous (which it is not), these occasional references cannot support Petitioner's interpretation of the State Debt Clause as incorporating the unwritten requirement that long-term state debt may be issued only for capital improvements. *See Cook*, 2016 IL App (4th) 160160, ¶ 18. To the contrary, they show the delegates' intent not to allow the legislature to pass a general law authorizing a state agency to issue bonds from time to time for an unspecified number of projects of a particular type, as opposed to a law authorizing bonds for specific individual projects. 3 Proceedings at 1928–29 (comments of Delegates Mathias, Johnson, and Karns).

include a “statement of the objects and purposes thereof”); *see also Illinois Mun. Ret. Fund v. City of Barry*, 52 Ill. App. 3d 644, 646, 367 N.E.2d 1048, 1050 (4th Dist. 1977) (defining an “appropriation” as “the setting apart from public revenue a certain sum of money for a specific object”), quoted with approval in *Bd. of Trustees of Cmty. College District No. 508 v. Burris,* 118 Ill. 2d 465, 477 (1987); *People v. Norris*, 328 Ill. App. 3d 994, 999 (3d Dist. 2002) (describing an appropriation law, under article IV, section 8 of the Illinois Constitution, as “legislation that sets apart from public revenue certain sums of money for specific purposes”). One reason for this requirement is to give effect to the Governor’s right to approve, or veto, specific appropriations. *See Lund v. Horner*, 375 Ill. 303, 306 (1940). And at the 1970 Constitutional Convention, Delegate Johnson, who presented the proposal adopted as the State Debt Clause, specifically alluded to that *procedural* concept as the reason for the “specific purposes” requirement. Asked whether “the determination of the specificity of the purpose is subject to judicial review,” he stated:

> The “specific purposes” was put in there to assure that there was not just a general statement that would circumvent the idea of the item veto; and I would imagine that a case will, at some time in the future, come up questioning whether or not the purpose described in a debt issue is specific enough.

3 Proceedings at 1933. For this reason as well, there is no basis to conclude that the State Debt Clause’s “specific purposes” requirement adopts Petitioner’s proposed *substantive* classification between permissible and impermissible purposes for which the courts, rather than the State’s elected representatives, have the final say on what purposes are valid.

4. The manner of repayment for each bond statute is set forth in sufficient detail under *Lewis*.

The manner of repayment, including periods of maturity and maximum interest rates, was set out in detail for both bond issues in accordance with sections 9, 14, and 15 of the General Obligation Bond Act, as then codified, and section 2 of the Bond Authorization Act, as then codified. 30 ILCS 330/9 (conditions and requirements for bonds; interest payable not to exceed amount permitted under Bond Authorization Act); 30 ILCS 330/14 (repayment to be by appropriation); 30 ILCS 330/15 (principal and interest computation procedures); 30 ILCS 305/2 (maximum rate of interest set). Accordingly, this last requirement is met.

C. Petitioner's proposed action is barred by laches.

Petitioner's manifestly late attempt to interfere with bond payments to the prejudice of the State and countless unnamed bondholders should also be rejected under the doctrine of laches. Where an injunction is sought to restrain the disbursement of public funds, equity "will strictly require that the application for relief be promptly made and . . . a failure to assert such right without a sufficient excuse therefor, until after the expenditure of large sums of money, operates as a bar to relief." *Bowman v. Lake County*, 29 Ill. 2d 268, 280 (1963); *see also Solomon v. N. Shore Sanitary Dist.*, 48 Ill. 2d 309, 322 (1971) (finding laches as a matter of law where public records showed that taxing district "had already issued and sold bonds totaling $8,000,000, and expenses had been incurred in furtherance of the project"); *DiSanto v. City of Warrenville*, 59 Ill. App. 3d 931, 940–41 (2d Dist. 1978) (affirming judgment dismissing on laches grounds suit to rescind municipal contract to acquire water and sewer system where "the sale in question was a matter of public record" and $2 million in bonds had been issued); *Tibbetts v. W. & S. Town St. Ry. Co.*, 54 Ill. App. 180, 188–89 (1st Dist. 1894), *aff'd* 153 Ill. 147 (1894) (laches barred suit to enjoin operation of railway, thereby depriving company of benefit of its work and expenditures, filed nineteen months after company's construction petition). The doctrine is "grounded in the equitable notion that courts are reluctant to come to the aid of a party who has knowingly slept on his rights to the detriment of the opposing party." *Parks v. Parks*, 2019 IL App (3d) 170845, ¶ 23.

Petitioner complains of alleged, prolonged fiscal malfeasance by the State, but, as in *Bowman*, "[a]ll of these events were a matter of public record and known to [Petitioner], and no sufficient excuse is shown for the delay." 29 Ill. 2d at 280. *Bowman* rejected a taxpayer's claim on laches grounds where the taxpayer waited one to three years before seeking to reverse cash and land transfers from a county to its building commission. *Id.* By then, as here, the cash grants had already been appropriated. The stakes in this case are greater than those in *Bowman* by several orders of magnitude. But the principle is identical.

Petitioner's attempt to halt payments for bonds issued in 2003 and 2017, the proceeds of which have long since been expended, comes much too late. When the General Assembly passed Public Act 93–2 authorizing the 2003 bonds, Petitioner did not seek an injunction against their issuance. He did nothing. The State then issued and sold those bonds, applied the proceeds as specified in that Act, and for years made payments on the bonds. Petitioner still did nothing. Now, well over a decade later, he comes to court asking that the bonds be declared invalid and that the State be enjoined from making future payments on them. His delay, and the corresponding prejudice to the State (and the holders of these bonds) if that relief were granted, are both immense. The same is true for the 2017 bonds, which were authorized by the General Assembly, issued and sold, and used to pay down billions of dollars of unpaid state vouchers, while Petitioner did nothing to stop any of these actions. A clearer case of laches is difficult to imagine.

In this case, Petitioner seeks to unscramble eggs that were cracked, cooked, and eaten sixteen and two years ago, with no explanation as to why he did not bring suit before breakfast hit the pan. Had Petitioner timely sought and obtained an injunction against issuance of the bonds, the State could have made different arrangements to fund its obligations, and bondholders would not now be needlessly placed in peril. Petitioner's inexplicable delay in bringing this challenge maximizes the potential fallout, creating an "unjustified interference[]" in the application of public funds that warrants denying the Petition. *See Strat-O-Seal Mfg. Co.*, 27 Ill. 2d at 565–66.

D. Petitioner's proposed challenge to the 2003 bonds is barred by the five-year statute of limitations.

Petitioner's proposed challenge to the 2003 bonds is also barred by the applicable statute of limitations. Because there is no specific statute of limitations applicable to bond validity claims, the five-year limitations period for "all civil actions not otherwise provided for" applies. 735 ILCS 5/13–205. Petitioner's challenge to the 2003 bonds accrued in 2003, and that challenge, asserted sixteen years after these bonds were issued, is therefore barred. *Cf. Flynn v. Stevenson*, 4 Ill. App. 3d 458, 459–62 (2d Dist. 1972) (holding that taxpayer's claim to enjoin future disbursement of public moneys based on allegedly void annexation, and corresponding incorrect population basis, was barred by one-year statute of limitations for challenges to annexations).

E. Petitioner has not stated a claim to invalidate the 2003 and 2017 bonds under the "Balanced Budget" Clause.

There is likewise no merit to Petitioner's challenge to the 2003 and 2017 bonds under article VIII, section 2(b) of the Illinois Constitution. Seemingly trying to appeal to a nonjudicial audience, Petitioner devotes most of his Petition and proposed complaint to assailing Illinois' fiscal history and health, asserting that the State's government has failed on numerous occasions to pass a balanced budget. But even if these allegations were true, that would not provide any grounds to hold the 2003 and 2017 bond Acts unconstitutional.

Petitioner's balanced-budget theory appears to be derivative of his claim under the State Debt Clause. Thus, his proposed complaint contends that because the State's budgets for fiscal years 2004 and 2018, and for other years, relied in part on proceeds from bond issues that Petitioner asserts are invalid, the State did not pass a "true" balanced budget. (*See* Proposed Compl. ¶¶ 43, 87.) Petitioner then requests that payments for the 2003 and 2017 bonds, but not other current expenditures, be enjoined. But because, as explained above, the bonds in question do not violate the State Debt Clause, the premise of Petitioner's balanced-budget claim collapses as well.

Even viewed separately, petitioner's balanced-budget theory is without merit. Article VIII, section 2(b) states that "[a]ppropriations for a fiscal year shall not exceed funds estimated by the General Assembly to be available during that year." But the requirement in that provision creates a political question, not a judicially enforceable mandate. And even if it allowed a court to invalidate any or all appropriations for a fiscal year that exceed the funds estimated by the General Assembly to be available for that year, that still would not support the relief Petitioner seeks here. The fiscal years applicable to the 2003 and 2017 bond issues are over. And even if a court could selectively enjoin some expenditures that exceed available funds, it could not do that for state service on general obligation bonds, which, unlike most other appropriations, are backed by the State's "full faith and credit."

"[C]ertain questions, deemed political in nature, are not justiciable." *Moore v. Grafton Township Bd. of Trs.*, 2011 IL App (2d) 110499, ¶ 5. The doctrine "derives from the principle of separation of powers." *Id.* The function of the doctrine "is to ensure that the judiciary does not exercise the powers of another branch of government." *Id.* Illinois courts have adopted the reasoning of *Baker v. Carr*, 369 U.S. 186, 217 (1962), in applying the political-question doctrine. *See Comm. for Educ. Rights v. Edgar*, 174 Ill. 2d 1, 23–29 (1996) (holding that constitutional guaranty of "high quality" public education involved political question not suitable for judicial resolution). *Baker* identifies six characteristics of cases inappropriate for judicial review, any one of which is sufficient to deny jurisdiction:

> Prominent on the surface of any case held to involve a political question is found [1] a textually demonstrable constitutional commitment of the issue to a coordinate political department; or [2] a lack of judicially discoverable and manageable standards for resolving it; or [3] the impossibility of deciding without an initial policy determination of a kind clearly for nonjudicial discretion; or [4] the impossibility of a court's undertaking independent resolution without expressing lack of the respect due coordinate branches of government; or [5] an unusual need for unquestioning adherence to a political decision already made; or [6] the potentiality of embarrassment from multifarious pronouncements by various departments on one question.

Baker, 369 U.S. at 217.

Under these standards, Petitioner's claim that the General Assembly appropriated funds in excess of its revenue estimates, to the extent it is even properly presented, is not justiciable. Article VIII, section 2(a) of the Constitution requires the Governor to submit, "at a time prescribed by law," a proposed "budget for the ensuing fiscal year" that includes an estimate of funds available for appropriations and expenditures that do not exceed that estimate. Ill. Const. art VIII, § 2(a). By contrast, section 2(b), which gives the General Assembly the power to "make appropriations for all expenditures of public funds by the State," *see State v. AFSCME Council 31*, 2016 IL 118422, ¶ 42, and states that "[a]ppropriations for a fiscal year shall not exceed funds estimated by the General Assembly to be available during that year," Ill. Const. art VIII, § 2(b), does not, for obvious reasons, specify any point in time at which the General Assembly must enact appropriations, or estimate available funds, for a fiscal year. And given that fact, allowing a court to determine whether the General Assembly has made a valid estimate of available funds and limited its appropriations to that estimate would implicate several of the criteria for finding a political question.

Specifically, section 2(b) manifestly establishes "a textually demonstrable constitutional commitment of the issue to a coordinate political department." It makes the General Assembly, which is directly accountable to the electorate, not the judiciary, responsible to estimate available funds and enact appropriations in light of that estimate. Likewise, there is a "lack of judicially discoverable and manageable standards for resolving" whether the General Assembly, in fact, refrained from appropriating funds in excess of its estimation of revenue. In addition, because available funds, including most state tax revenues, generally are not earmarked for particular purposes, a court, unless it enjoined the entire state budget, would be put in the impossible situation of deciding which, among many appropriations, should be declared invalid on the basis that the legislature enacted appropriations in excess of estimated funds available. But that is a quintessential example of an "initial policy determination of a kind clearly for nonjudicial discretion," and it cannot plausibly be controlled by the individual preferences of particular plaintiffs who challenge certain appropriations instead of others. For similar reasons, having a court undertake to resolve such issues would be tantamount to "expressing lack of the respect due coordinate branches of government." Thus, the budgeting process presents "an unusual need for unquestioning adherence to a political decision already made." For the Court to interfere with those decisions, long after these budgets and appropriations were adopted, would just compound the problem. Petitioner also presents no authority for the proposition that a private party may choose which appropriations in an unbalanced budget should be enjoined and which should be honored. Such budgetary decisions are uniquely entrusted to the General Assembly, and the courts are ill-equipped to oversee that political function.

The relief Petitioner seeks — enjoining current appropriations for debt service on the 2003 and 2017 bonds — just highlights the absurdity of his claim. If section 2(b) allowed any relief (which Respondents categorically dispute), it would be to enjoin an entire fiscal year's budget before it takes effect, giving the General Assembly the ability to remedy the problem in a timely manner. Otherwise, a court would be substituting its post-hoc judgment for the legislature's advance decisions to make specific appropriations. Here, though, the fiscal years applicable to the 2003 and 2017 bond issues are over, and the bond proceeds obtained under the laws authorizing the bonds Petitioner objects to have been used as specified in those laws. Thus, the use of those proceeds cannot, as a practical matter, be undone now, even with a current judicial ruling that they should not have been appropriated in that manner. The 2018 budget enacted $34 billion in appropriations from general funds to all branches of state government. *See* P.A. 100–21. It is not realistically possible to unwind those appropriations two fiscal years later. And the consequences to the State's operations of invalidating the 2020 budget would be severe. For this reason as well, Petitioner's balanced budget claim constitutes an "unjustified interference[]" in the application of public funds that this Court should deny. *See Strat-O-Seal Mfg. Co.*, 27 Ill. 2d at 565–66.

Finally, even if the Court could enjoin particular appropriations on the basis that they exceeded estimated available funds in a given fiscal year, the court could not enjoin payments on the 2003 and 2017 bonds because, under the State Debt Clause and the General Obligation Bond Act, those payments, unlike most other state appropriations, are backed by the "full faith and credit" of the State of Illinois, which guarantees, as an "irrepealable" contractual obligation, "the punctual payment" when due of all principal and interest. 30 ILCS 330/17 (2018). Thus, any injunction against expenditures on the basis that appropriations exceed estimated funds available would first have to apply to other spending, not payment on the 2003 and 2017 bonds.

F. Warlander Asset Management, LP lacks standing to enjoin disbursement of public funds.

Apart from the merits, it is also evident that Warlander Asset Management, LP, a putative plaintiff, lacks standing to pursue the claims in the proposed complaint. Warlander holds general obligation bonds other than the 2003 and 2017 bonds that Petitioner challenges. It is not an Illinois citizen (Proposed Compl. ¶ 16) and does not allege that it is an Illinois taxpayer. Accordingly, it cannot bring an action to restrain the disbursement of public funds. 735 ILCS 5/11–301 (providing that Attorney General and citizen taxpayers may sue to restrain disbursements).

Warlander also lacks standing because it cannot show injury in fact to a legally cognizable interest. *See Piccioli v. Bd. of Trs. of Teachers' Ret. Sys*., 2019 IL 122905, ¶ 12. "To have standing to challenge the constitutionality of a statute, . . . one must have sustained or be in immediate danger of sustaining a direct injury as a result of enforcement of the challenged statute." The claimed injury must be "(1) distinct and palpable; (2) fairly traceable to defendant's actions; and (3) substantially likely to be prevented or redressed by the grant of the requested relief." *Id.* There is no claim that Warlander holds any of the challenged bonds. There is no claim that Illinois has failed to make payments on the bonds Warlander does hold. And section 18 of the General Obligation Bond Act (30 ILCS 330/18) gives it an adequate remedy to compel payments if the State did ever fail to make payments on the bonds it holds.

The proposed complaint alleges that payment of the 2003 and 2017 bonds reduces the State's ability to service Warlander's bonds and depresses the present market value of its bonds. But those attenuated consequences do not give Warlander standing here. They are not distinct and palpable, but instead are speculative and indirect. *See Davis v. Dyson*, 387 Ill. App. 3d 676, 681, 691–92 (1st Dist. 2008) (owner of condominium unit had no standing to sue for injury to condominium association based on owner's claim that association falling into disrepute devalued his individual unit); *Goldberg v. Dep't of Lottery*, 275 Ill. App. 3d 231, 233–34 (1st Dist. 1995) (claimed economic disadvantage insufficient to demonstrate injury to a legally cognizable interest). Further, Warlander's claim cannot be differentiated from an assertion that *any* payment from the State treasury reduces the State's ability to service its bonds. But such a speculative and indirect effect on the present market value of its bonds is not "fairly traceable" to *these specific payments*, nor does fulfilling the obligations prescribed by these bonds place Warlander in "immediate danger of sustaining a direct injury." Accordingly, Warlander lacks standing, and the Court should deny leave to file a complaint including Warlander as a plaintiff.

G. The Petition should be denied because there are no reasonable grounds for filing the complaint.

As explained above, Petitioner's theory of bond invalidity turns entirely on his unfounded assertion, contained in paragraph 27 of his proposed complaint, that the term "specific purposes" in the State Debt Clause means "projects in the nature of capital improvements." But Petitioner does not cite any authority for this conclusion, and he does not even draw the Court's attention to the single, controlling case interpreting "specific purposes" in the context of article IX, section 9: *People ex rel. Ogilvie v. Lewis*, 49 Ill. 2d 476, 484 (1971). The remainder of the proposed complaint is comprised almost entirely of allegations that have no bearing on the validity of the bonds, but rather put forth a policy position on the wisdom of State budgetary choices over the years. These allegations include, for example, the following (nonexhaustive) list of statements and citations:

> "No politician likes cutting spending or making other politically tough choices." (Proposed Compl. ¶ 43);

> "'The massive pension liability results from . . . . governance and management weaknesses' . . . . That's a polite way of saying the political leaders broke the system."

(*Id.* at ¶ 43 n.9 (citing an article entitled *How Illinois became America's most messed-up state*));

The executive director of the Center for Tax and Budget Accountability called the so-called "Edgar Ramp" "one of the greatest pieces of chicanery ever pulled by a political system." (*Id.* at ¶ 48);

"[T]he State['s] . . . . irresponsible behavior created a pension time bomb that threatens to bankrupt the State. (*Id.* at ¶ 51);

"For the first few years, this financial chicanery worked." (*Id.* at ¶ 66);

A graphic entitled "*Who Ruined Illinois*?" (*Id.* at ¶ 74);

"Illinois has historically had difficulty paying its bills on time." (*Id.* at ¶ 78); and

A citation to an article entitled "*'Everything's in danger': Illinois approaches 3rd year without budget*." (*Id.* at ¶ 80 n.48).

None of these allegations constitute any element of Petitioner's proposed claim. There would be no cause for the taking of testimony or other proofs in furtherance of these allegations should Petitioner's claim be filed and proceed to trial. In other words, these allegations, as with the bulk of Petitioner's proposed complaint, do not call for application of the judicial function. Rather, they plainly constitute a forceful assertion of ideas and policy positions suited to debate in the public sphere. While the effort to force this debate may be noble in the marketplace of ideas, it constitutes an improper purpose when presented in the form of a complaint filed with the Court.

CONCLUSION

Because Petitioner slept on his rights for years, because the essential premise of his proposed complaint is wrong as a matter of law, including under clear Illinois Supreme Court precedent, and because the remainder of the complaint states no cause of action whatsoever, but rather seeks to conduct a fiscal policy debate in a courtroom, there is no role for the Court to play and no reasonable grounds for allowing its filing. Accordingly, the Court should deny the Petition.

Respectfully submitted,

J.B. PRITZKER, Governor of the State of Illinois **MICHAEL W. FRERICHS**, Treasurer of the State of Illinois, and **SUSANA A. MENDOZA**, Comptroller of the State of Illinois,

Defendants,

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Attorney for Defendants,

By: s/ Joshua D. Ratz
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CERTIFICATE OF SERVICE

Joshua D. Ratz certifies under penalties as provided by law pursuant to section 1-109 of the Code of Civil Procedure (735 ILCS 5/1-109) that he has served a copy of the foregoing Objection to Petition for Leave to File Taxpayer Action upon:

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/s Joshua D. Ratz
Joshua D. Ratz
Assistant Attorney General

AN ACT concerning bonds.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 5. The State Finance Act is amended by adding Section 5.595 as follows:

(30 ILCS 105/5.595 new)

Sec. 5.595. The Pension Contribution Fund.

Section 10. The General Obligation Bond Act is amended by changing Sections 2, 8, 12, 13, and 15 and adding Section 7.2 as follows:

(30 ILCS 330/2) (from Ch. 127, par. 652)

Sec. 2. Authorization for Bonds. The State of Illinois is authorized to issue, sell and provide for the retirement of General Obligation Bonds of the State of Illinois for the categories and specific purposes expressed in Sections 2 through 8 of this Act, in the total amount of $27,658,149,369 ~~$17,658,149,369~~ ~~$16,908,149,369~~ ~~$16,015,007,500~~.

The bonds authorized in this Section 2 and in Section 16 of this Act are herein called "Bonds".

Of the total amount of Bonds authorized in this Act, up to $2,200,000,000 in aggregate original principal amount may be issued and sold in accordance with the Baccalaureate Savings Act in the form of General Obligation College Savings Bonds.

Of the total amount of Bonds authorized in this Act, up to $300,000,000 in aggregate original principal amount may be issued and sold in accordance with the Retirement Savings Act in the form of General Obligation Retirement Savings Bonds.

Of the total amount of Bonds authorized in this Act, the

EXHIBIT A

additional $10,000,000,000 authorized by this amendatory Act of the 93rd General Assembly shall be used solely as provided in Section 7.2.

The issuance and sale of Bonds pursuant to the General Obligation Bond Act is an economical and efficient method of financing the capital and general operating needs of the State. This Act will permit the issuance of a multi-purpose General Obligation Bond with uniform terms and features. This will not only lower the cost of registration but also reduce the overall cost of issuing debt by improving the marketability of Illinois General Obligation Bonds.

(Source: P.A. 91-39, eff. 6-15-99; 91-53, eff 6-30-99; 91-710, eff. 5-17-00; 92-13, eff. 6-22-01; 92-596, eff. 6-28-02; 92-598, eff. 6-28-02; revised 10-8-02.)

(30 ILCS 330/7.2 new)

Sec. 7.2. State pension funding.

(a) The amount of $10,000,000,000 is authorized to be used for the purpose of making contributions to the designated retirement systems. For the purposes of this Section, "designated retirement systems" means the State Employees' Retirement System of Illinois; the Teachers' Retirement System of the State of Illinois; the State Universities Retirement System; the Judges Retirement System of Illinois; and the General Assembly Retirement System.

(b) The Pension Contribution Fund is created as a special fund in the State Treasury.

The proceeds of the additional $10,000,000,000 of Bonds authorized by this amendatory Act of the 93rd General Assembly, less the amounts authorized in the Bond Sale Order to be deposited directly into the capitalized interest account of the General Obligation Bond Retirement and Interest Fund or otherwise directly paid out for bond sale expenses under Section 8, shall be deposited into the Pension

Contribution Fund and used as provided in this Section.

(c) Of the amount of Bond proceeds first deposited into the Pension Contribution Fund, there shall be reserved for transfers under this subsection the sum of $300,000,000, representing the required State contributions to the designated retirement systems for the last quarter of State fiscal year 2003, plus the sum of $1,860,000,000, representing the required State contributions to the designated retirement systems for State fiscal year 2004.

Upon the deposit of sufficient moneys into the Pension Contribution Fund, the Comptroller and Treasurer shall immediately transfer the sum of $300,000,000 from the Pension Contribution Fund to the General Revenue Fund.

Whenever any payment of required State contributions for State fiscal year 2004 is made to one of the designated retirement systems, the Comptroller and Treasurer shall, as soon as practicable, transfer from the Pension Contribution Fund to the General Revenue Fund an amount equal to the amount of that payment to the designated retirement system. If the amount reserved for these transfers exceeds the total amount of fiscal year 2004 payments of required State contributions to the designated retirement systems, the Comptroller and Treasurer shall continue to make such transfers based on fiscal year 2005 payments until the entire amount reserved has been transferred.

(d) All amounts deposited into the Pension Contribution Fund, other than the amounts reserved for the transfers under subsection (c), shall be appropriated to the designated retirement systems to reduce their actuarial reserve deficiencies. The amount of the appropriation to each designated retirement system shall constitute a portion of the total appropriation under this subsection that is the same as that retirement system's portion of the total actuarial reserve deficiency of the systems, as most recently determined by the Bureau of the Budget under Section 8.12 of the State Finance Act.

Within 15 days after any Bond proceeds in excess of the amounts initially reserved under subsection (c) are deposited into the Pension Contribution Fund, the Bureau of the Budget shall (i) allocate those proceeds among the designated retirement systems in proportion to their respective actuarial reserve deficiencies, as most recently determined under Section 8.12 of the State Finance Act, and (ii) certify those allocations to the designated retirement systems and the Comptroller.

Upon receiving certification of an allocation under this subsection, a designated retirement system shall submit to the Comptroller a voucher for the amount of its allocation. The voucher shall be paid out of the amount appropriated to that designated retirement system from the Pension Contribution Fund pursuant to this subsection.

(30 ILCS 330/8) (from Ch. 127, par. 658)

Sec. 8. Bond sale expenses; capitalized interest.

(a) An amount not to exceed 0.5 percent of the principal amount of the proceeds of sale of each bond sale is authorized to be used to pay the reasonable costs of issuance and sale of State of Illinois general obligation bonds authorized and sold pursuant to this Act.

(b) The Bond Sale Order may provide for a portion of the proceeds of the bond sale, representing up to 12 months' interest on the bonds, to be deposited directly into the capitalized interest account of the General Obligation Bond Retirement and Interest Fund.

(Source: P.A. 83-1490.)

(30 ILCS 330/12) (from Ch. 127, par. 662)

Sec. 12. Allocation of Proceeds from Sale of Bonds.

(a) Proceeds from the sale of Bonds, authorized by Section 3 of this Act, shall be deposited in the separate fund known as the Capital Development Fund.

(b) Proceeds from the sale of Bonds, authorized by paragraph (a) of Section 4 of this Act, shall be deposited in the separate fund known as the Transportation Bond, Series A Fund.

(c) Proceeds from the sale of Bonds, authorized by paragraphs (b) and (c) of Section 4 of this Act, shall be deposited in the separate fund known as the Transportation Bond, Series B Fund.

(d) Proceeds from the sale of Bonds, authorized by Section 5 of this Act, shall be deposited in the separate fund known as the School Construction Fund.

(e) Proceeds from the sale of Bonds, authorized by Section 6 of this Act, shall be deposited in the separate fund known as the Anti-Pollution Fund.

(f) Proceeds from the sale of Bonds, authorized by Section 7 of this Act, shall be deposited in the separate fund known as the Coal Development Fund.

(f-2) Proceeds from the sale of Bonds, authorized by Section 7.2 of this Act, shall be deposited as set forth in Section 7.2.

(f-5) Proceeds from the sale of Bonds, authorized by Section 7.5 of this Act, shall be deposited as set forth in Section 7.5.

(g) Proceeds from the sale of Bonds, authorized by Section 8 of this Act, shall be deposited in the Capital Development Fund.

(h) Subsequent to the issuance of any Bonds for the purposes described in Sections 2 through 8 of this Act, the Governor and the Director of the Bureau of the Budget may provide for the reallocation of unspent proceeds of such Bonds to any other purposes authorized under said Sections of this Act, subject to the limitations on aggregate principal amounts contained therein. Upon any such reallocation, such unspent proceeds shall be transferred to the appropriate funds as determined by reference to paragraphs (a) through (g) of this Section.

(Source: P.A. 92-596, eff. 6-28-02.)

(30 ILCS 330/13) (from Ch. 127, par. 663)

Sec. 13. Appropriation of Proceeds from Sale of Bonds.

(a) At all times, the proceeds from the sale of Bonds issued pursuant to this Act are subject to appropriation by the General Assembly and, except as provided in Section 7.2, may be obligated or expended only with the written approval of the Governor, in such amounts, at such times, and for such purposes as the respective State agencies, as defined in Section 1-7 of the Illinois State Auditing Act, as amended, deem necessary or desirable for the specific purposes contemplated in Sections 2 through 8 of this Act.

(b) Proceeds from the sale of Bonds for the purpose of development of coal and alternative forms of energy shall be expended in such amounts and at such times as the Department of Commerce and Community Affairs, with the advice and recommendation of the Illinois Coal Development Board for coal development projects, may deem necessary and desirable for the specific purpose contemplated by Section 7 of this Act. In considering the approval of projects to be funded, the Department of Commerce and Community Affairs shall give special consideration to projects designed to remove sulfur and other pollutants in the preparation and utilization of coal, and in the use and operation of electric utility generating plants and industrial facilities which utilize Illinois coal as their primary source of fuel.

(c) Any monies received by any officer or employee of the state representing a reimbursement of expenditures previously paid from general obligation bond proceeds shall be deposited into the General Obligation Bond Retirement and Interest Fund authorized in Section 14 of this Act.

(Source: P.A. 89-445, eff. 2-7-96; 90-348, eff. 1-1-98.)

(30 ILCS 330/15) (from Ch. 127, par. 665)

Sec. 15. Computation of Principal and Interest; transfers. ~~Transfer from General Revenue Fund.~~

(a) Upon each delivery of Bonds authorized to be issued under this Act, the Comptroller shall compute and certify to the Treasurer the total amount of principal of, interest on, and premium, if any, on Bonds issued that will be payable in order to retire such Bonds and the amount of principal of, interest on and premium, if any, on such Bonds that will be payable on each payment date according to the tenor of such Bonds during the then current and each succeeding fiscal year.

On or before the last day of each month the State Treasurer and Comptroller shall transfer from (1) the Road Fund with respect to Bonds issued under paragraph (a) of Section 4 of this Act or Bonds issued for the purpose of refunding such bonds, and from (2) the General Revenue Fund, with respect to all other Bonds issued under this Act, to the General Obligation Bond Retirement and Interest Fund an amount sufficient to pay the aggregate of the principal of, interest on, and premium, if any, on Bonds payable, by their terms on the next payment date divided by the number of full calendar months between the date of such Bonds and the first such payment date, and thereafter, divided by the number of months between each succeeding payment date after the first. Such computations and transfers shall be made for each series of Bonds issued and delivered. Interest for which moneys have already been deposited into the capitalized interest account within the General Obligation Bond Retirement and

Interest Fund shall not be included in the calculation of the amounts to be transferred under this subsection.

The transfer of monies herein and above directed is not required if monies in the General Obligation Bond Retirement and Interest Fund are more than the amount otherwise to be transferred as herein above provided, and if the Governor or his authorized representative notifies the State Treasurer and Comptroller of such fact in writing.

(b) After the effective date of this Act, the balance of, and monies directed to be included in the Capital Development Bond Retirement and Interest Fund, Anti-Pollution Bond Retirement and Interest Fund, Transportation Bond, Series A Retirement and Interest Fund, Transportation Bond, Series B Retirement and Interest Fund, and Coal Development Bond Retirement and Interest Fund shall be transferred to and deposited in the General Obligation Bond Retirement and Interest Fund. This Fund shall be used to make debt service payments on the State's general obligation Bonds heretofore issued which are now outstanding and payable from the Funds herein listed as well as on Bonds issued under this Act.

(c) The unused portion of federal funds received for a capital facilities project, as authorized by Section 3 of this Act, for which monies from the Capital Development Fund have been expended shall be deposited upon completion of the project in the General Obligation Bond Retirement and Interest Fund. Any federal funds received as reimbursement for the completed construction of a capital facilities project, as authorized by Section 3 of this Act, for which monies from the Capital Development Fund have been expended shall be deposited in the General Obligation Bond Retirement and Interest Fund.

(Source: P.A. 84-952.)

Section 15. The Illinois Pension Code is amended by changing Sections 2-124, 2-134, 14-131, 14-135.08, 15-155, 15-165, 16-158, 18-131, and 18-140 as follows:

(40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

Sec. 2-124. Contributions by State.

(a) The State shall make contributions to the System by appropriations of amounts which, together with the contributions of participants, interest earned on investments, and other income will meet the cost of maintaining and administering the System on a 90% funded basis in accordance with actuarial recommendations.

(b) The Board shall determine the amount of State contributions required for each fiscal year on the basis of the actuarial tables and other assumptions adopted by the Board and the prescribed rate of interest, using the formula in subsection (c).

(c) For State fiscal years 2011 through 2045, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 1996 through 2010, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section.

Beginning in State fiscal year 2046, the minimum State contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 90% of the total actuarial liabilities of the System.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and each fiscal year thereafter, as calculated under this Section and certified under Section 2-134, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act.

(Source: P.A. 88-593, eff. 8-22-94.)

(40 ILCS 5/2-134) (from Ch. 108 1/2, par. 2-134)

Sec. 2-134. To certify required State contributions and submit vouchers.

(a) The Board shall certify to the Governor on or before November 15 of each year the amount of the required State contribution to the System for the next fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based.

On or before May 1, 2004, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2005, taking into account the amounts appropriated to and received by the System under subsection (d) of Section 7.2 of the General Obligation Bond Act.

(b) Beginning in State fiscal year 1996, on or as soon as possible after the 15th day of each month the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a). These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year. If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this Section, the difference shall be paid from the General Revenue Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

(c) The full amount of any annual appropriation for the System for State fiscal year 1995 shall be transferred and made available to the System at the beginning of that fiscal year at the request of the Board. Any excess funds remaining at the end of any fiscal year from appropriations shall be retained by the System as a general reserve to meet the System's accrued liabilities.

(Source: P.A. 88-593, eff. 8-22-94.)

(40 ILCS 5/14-131) (from Ch. 108 1/2, par. 14-131)

Sec. 14-131. Contributions by State.

(a) The State shall make contributions to the System by appropriations of amounts which, together with other employer contributions from trust, federal, and other funds, employee contributions, investment income, and other income, will be sufficient to meet the cost of maintaining and administering the System on a 90% funded basis in accordance with actuarial recommendations.

For the purposes of this Section and Section 14-135.08, references to State contributions refer only to employer contributions and do not include employee contributions that are picked up or otherwise paid by the State or a department on behalf of the employee.

(b) The Board shall determine the total amount of State contributions required for each fiscal year on the basis of the actuarial tables and other assumptions adopted by the Board, using the formula in subsection (e).

The Board shall also determine a State contribution rate for each fiscal year, expressed as a percentage of payroll, based on the total required State contribution for that fiscal year (less the amount received by the System from appropriations under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act, if any, for the fiscal year ending on the June 30 immediately preceding the applicable November 15 certification deadline), the estimated payroll (including all forms of compensation) for personal services rendered by eligible employees, and the recommendations of the actuary.

For the purposes of this Section and Section 14.1 of the State Finance Act, the term "eligible employees" includes employees who participate in the System, persons who may elect to participate in the System but have not so elected, persons who are serving a qualifying period that is required for participation, and annuitants employed by a department as described in subdivision (a)(1) or (a)(2) of Section 14-111.

(c) Contributions shall be made by the several departments for each pay period by warrants drawn by the State Comptroller against their respective funds or appropriations based upon vouchers stating the amount to be so contributed. These amounts shall be based on the full rate certified by the Board under Section 14-135.08 for that fiscal year.

(d) If an employee is paid from trust funds or federal funds, the department or other employer shall pay employer contributions from those funds to the System at the certified rate, unless the terms of the trust or the federal-State agreement preclude the use of the funds for that purpose, in which case the required employer contributions shall be paid by the State.

(e) For State fiscal years 2011 through 2045, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 1996 through 2010, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section; except that (i) for State fiscal year 1998, for all purposes of this Code and any other law of this State, the certified percentage of the applicable employee payroll shall be 5.052% for employees earning eligible creditable service under Section 14-110 and 6.500% for all other employees, notwithstanding any contrary certification made under Section 14-135.08 before the effective date of this amendatory Act of 1997, and (ii) in the following specified State fiscal years, the State contribution to the System shall not be less than the following indicated percentages of the applicable employee payroll, even if the indicated percentage will produce a State contribution in excess of the amount otherwise required under this subsection and subsection (a): 9.8% in FY 1999; 10.0% in FY 2000; 10.2% in FY 2001; 10.4% in FY 2002; 10.6% in FY 2003; and 10.8% in FY 2004~~;-11.0%-in-FY 2005;-11.2%-in-FY-2006;-11.4%-in-FY-2007;-11.6%-in--FY--2008; and-11.8%-in-FY-2009~~.

Beginning in State fiscal year 2046, the minimum State contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 90% of the total actuarial liabilities of the System.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and each fiscal year thereafter, as calculated under this Section and certified under Section 14-135.08, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act.

(Source: P.A. 89-136, eff. 7-14-95; 90-65, eff. 7-7-97.)

(40 ILCS 5/14-135.08) (from Ch. 108 1/2, par. 14-135.08)

Sec. 14-135.08. To certify required State contributions. To certify to the Governor and to each department, on or before November 15 of each year, the required rate for State contributions to the System for the next State fiscal year, as determined under subsection (b) of Section 14-131. The certification to the Governor shall include a copy of the actuarial recommendations upon which the rate is based.

On or before May 1, 2004, the Board shall recalculate and recertify to the Governor and to each department the amount of the required State contribution to the System and the required rates for State contributions to the System for State fiscal year 2005, taking into account the amounts appropriated to and received by the System under subsection (d) of Section 7.2 of the General Obligation Bond Act.

(Source: P.A. 88-593, eff. 8-22-94; 89-136, eff. 7-14-95.)

(40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

Sec. 15-155. Employer contributions.

(a) The State of Illinois shall make contributions by appropriations of amounts which, together with the other employer contributions from trust, federal, and other funds, employee contributions, income from investments, and other income of this System, will be sufficient to meet the cost of maintaining and administering the System on a 90% funded basis in accordance with actuarial recommendations.

The Board shall determine the amount of State contributions required for each fiscal year on the basis of the actuarial tables and other assumptions adopted by the Board and the recommendations of the actuary, using the formula in subsection (a-1).

(a-1) For State fiscal years 2011 through 2045, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 1996 through 2010, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section.

Beginning in State fiscal year 2046, the minimum State contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 90% of the total actuarial liabilities of the System.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and each fiscal year thereafter, as calculated under this Section and certified under Section 15-165, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act.

(b) If an employee is paid from trust or federal funds, the employer shall pay to the Board contributions from those funds which are sufficient to cover the accruing normal costs on behalf of the employee. However, universities having employees who are compensated out of local auxiliary funds, income funds, or service enterprise funds are not required to pay such contributions on behalf of those employees. The local auxiliary funds, income funds, and service enterprise funds of universities shall not be considered trust funds for the purpose of this Article, but funds of alumni associations, foundations, and athletic associations which are affiliated with the universities included as employers under this Article and other employers which do not receive State appropriations are considered to be trust funds for the purpose of this Article.

(b-1) The City of Urbana and the City of Champaign shall each make employer contributions to this System for their respective firefighter employees who participate in this System pursuant to subsection (h) of Section 15-107. The rate of contributions to be made by those municipalities shall be determined annually by the Board on the basis of the actuarial assumptions adopted by the Board and the recommendations of the actuary, and shall be expressed as a percentage of salary for each such employee. The Board shall certify the rate to the affected municipalities as soon as may be practical. The employer contributions required under this subsection shall be remitted by the municipality to the System at the same time and in the same manner as employee contributions.

(c) Through State fiscal year 1995: The total employer contribution shall be apportioned among the various funds of the State and other employers, whether trust, federal, or other funds, in accordance with actuarial procedures approved by the Board. State of Illinois contributions for employers receiving State appropriations for personal services shall be payable from appropriations made to the employers or to the System. The contributions for Class I community colleges covering earnings other than those paid from trust and federal funds, shall be payable solely from appropriations to the Illinois Community College Board or the System for employer contributions.

(d) Beginning in State fiscal year 1996, the required State contributions to the System shall be appropriated directly to the System and shall be payable through vouchers issued in accordance with subsection (c) of Section 15-165.

(e) The State Comptroller shall draw warrants payable to the System upon proper certification by the System or by the employer in accordance with the appropriation laws and this Code.

(f) Normal costs under this Section means liability for pensions and other benefits which accrues to the System because of the credits earned for service rendered by the participants during the fiscal year and expenses of administering the System, but shall not include the principal of or any redemption premium or interest on any bonds issued by the Board or any expenses incurred or deposits required in connection therewith.

(Source: P.A. 89-602, eff. 8-2-96; 90-576, eff. 3-31-98.)

(40 ILCS 5/15-165) (from Ch. 108 1/2, par. 15-165)

Sec. 15-165. To certify amounts and submit vouchers.

(a) The Board shall certify to the Governor on or before November 15 of each year the appropriation required from State funds for the purposes of this System for the following fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based.

On or before May 1, 2004, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2005, taking into account the amounts appropriated to and received by the System under subsection (d) of Section 7.2 of the General Obligation Bond Act.

(b) The Board shall certify to the State Comptroller or employer, as the case may be, from time to time, by its president and secretary, with its seal attached, the amounts payable to the System from the various funds.

(c) Beginning in State fiscal year 1996, on or as soon as possible after the 15th day of each month the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a). These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year.

If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this Section, the difference shall be paid from the General Revenue Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

(d) So long as the payments received are the full amount lawfully vouchered under this Section, payments received by the System under this Section shall be applied first toward the employer contribution to the self-managed plan established under Section 15-158.2. Payments shall be applied second toward the employer's portion of the normal costs of the System, as defined in subsection (f) of Section 15-155. The balance shall be applied toward the unfunded actuarial liabilities of the System.

(e) In the event that the System does not receive, as a result of legislative enactment or otherwise, payments sufficient to fully fund the employer contribution to the self-managed plan established under Section 15-158.2 and to fully fund that portion of the employer's portion of the normal costs of the System, as calculated in accordance with Section 15-155(a-1), then any payments received shall be applied proportionately to the optional retirement program established under Section 15-158.2 and to the employer's portion of the normal costs of the System, as calculated in accordance with Section 15-155(a-1).

(Source: P.A. 90-448, eff. 8-16-97; 90-766, eff. 8-14-98.)

(40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

Sec. 16-158. Contributions by State and other employing units.

(a) The State shall make contributions to the System by means of appropriations from the Common School Fund and other State funds of amounts which, together with other employer contributions, employee contributions, investment income, and other income, will be sufficient to meet the cost of maintaining and administering the System on a 90% funded basis in accordance with actuarial recommendations.

The Board shall determine the amount of State contributions required for each fiscal year on the basis of the actuarial tables and other assumptions adopted by the Board and the recommendations of the actuary, using the formula in subsection (b-3).

(a-1) Annually, on or before November 15, the Board shall certify to the Governor the amount of the required State contribution for the coming fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based.

On or before May 1, 2004, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2005, taking into account the amounts appropriated to and received by the System under subsection (d) of Section 7.2 of the General Obligation Bond Act.

(b) Through State fiscal year 1995, the State contributions shall be paid to the System in accordance with Section 18-7 of the School Code.

(b-1) Beginning in State fiscal year 1996, on the 15th day of each month, or as soon thereafter as may be practicable, the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a-1). These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year.

If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this subsection, the difference shall be paid from the Common School Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

(b-2) Allocations from the Common School Fund apportioned to school districts not coming under this System shall not be diminished or affected by the provisions of this Article.

(b-3) For State fiscal years 2011 through 2045, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 1996 through 2010, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section; except that in the following specified State fiscal years, the State contribution to the System shall not be less than the following indicated percentages of the applicable employee payroll, even if the indicated percentage will produce a State contribution in excess of the amount otherwise required under this subsection and subsection (a), and notwithstanding any contrary certification made under subsection (a-1) before the effective date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77% in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY 2003; and 13.56% in FY 2004~~;-14.25%-in--FY 2005;--14.95%--in--FY--2006;--15.65%-in-FY-2007;-16.34%-in-FY 2008;-17.04%-in-FY-2009;-and-17.74%-in-FY-2010~~.

Beginning in State fiscal year 2046, the minimum State contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 90% of the total actuarial liabilities of the System.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and each fiscal year thereafter, as calculated under this Section and certified under subsection (a-1), shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act.

(c) Payment of the required State contributions and of all pensions, retirement annuities, death benefits, refunds, and other benefits granted under or assumed by this System, and all expenses in connection with the administration and operation thereof, are obligations of the State.

If members are paid from special trust or federal funds which are administered by the employing unit, whether school district or other unit, the employing unit shall pay to the System from such funds the full accruing retirement costs based upon that service, as determined by the System. Employer contributions, based on salary paid to members from federal funds, may be forwarded by the distributing agency of the State of Illinois to the System prior to allocation, in an amount determined in accordance with guidelines established by such agency and the System.

(d) Effective July 1, 1986, any employer of a teacher as defined in paragraph (8) of Section 16-106 shall pay the employer's normal cost of benefits based upon the teacher's service, in addition to employee contributions, as determined by the System. Such employer contributions shall be forwarded monthly in accordance with guidelines established by the System.

However, with respect to benefits granted under Section 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8) of Section 16-106, the employer's contribution shall be 12% (rather than 20%) of the member's highest annual salary rate for each year of creditable service granted, and the employer shall also pay the required employee contribution on behalf of the teacher. For the purposes of Sections 16-133.4 and 16-133.5, a teacher as defined in paragraph (8) of Section 16-106 who is serving in that capacity while on leave of absence from another employer under this Article shall not be considered an employee of the employer from which the teacher is on leave.

(e) Beginning July 1, 1998, every employer of a teacher shall pay to the System an employer contribution computed as follows:

(1) Beginning July 1, 1998 through June 30, 1999, the employer contribution shall be equal to 0.3% of each teacher's salary.

(2) Beginning July 1, 1999 and thereafter, the employer contribution shall be equal to 0.58% of each teacher's salary.

The school district or other employing unit may pay these employer contributions out of any source of funding available for that purpose and shall forward the contributions to the System on the schedule established for the payment of member contributions.

These employer contributions are intended to offset a portion of the cost to the System of the increases in retirement benefits resulting from this amendatory Act of 1998.

Each employer of teachers is entitled to a credit against the contributions required under this subsection (e) with respect to salaries paid to teachers for the period January 1, 2002 through June 30, 2003, equal to the amount paid by that employer under subsection (a-5) of Section 6.6 of the State Employees Group Insurance Act of 1971 with respect to salaries paid to teachers for that period.

The additional 1% employee contribution required under Section 16-152 by this amendatory Act of 1998 is the responsibility of the teacher and not the teacher's employer, unless the employer agrees, through collective bargaining or otherwise, to make the contribution on behalf of the teacher.

If an employer is required by a contract in effect on May 1, 1998 between the employer and an employee organization to pay, on behalf of all its full-time employees covered by this Article, all mandatory employee contributions required under this Article, then the employer shall be excused from paying the employer contribution required under this subsection (e) for the balance of the term of that contract. The employer and the employee organization shall jointly certify to the System the existence of the contractual requirement, in such form as the System may prescribe. This exclusion shall cease upon the termination, extension, or renewal of the contract at any time after May 1, 1998.

(Source: P.A. 92-505, eff. 12-20-01.)

(40 ILCS 5/18-131) (from Ch. 108 1/2, par. 18-131)

Sec. 18-131. Financing; employer contributions.

(a) The State of Illinois shall make contributions to this System by appropriations of the amounts which, together with the contributions of participants, net earnings on investments, and other income, will meet the costs of maintaining and administering this System on a 90% funded basis in accordance with actuarial recommendations.

(b) The Board shall determine the amount of State contributions required for each fiscal year on the basis of the actuarial tables and other assumptions adopted by the Board and the prescribed rate of interest, using the formula in subsection (c).

(c) For State fiscal years 2011 through 2045, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 1996 through 2010, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section.

Beginning in State fiscal year 2046, the minimum State contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 90% of the total actuarial liabilities of the System.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and each fiscal year thereafter, as calculated under this Section and certified under Section 18-140, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act.

(Source: P.A. 88-593, eff. 8-22-94.)

(40 ILCS 5/18-140) (from Ch. 108 1/2, par. 18-140)

Sec. 18-140. To certify required State contributions and submit vouchers.

(a) The Board shall certify to the Governor, on or before November 15 of each year, the amount of the required State contribution to the System for the following fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based.

On or before May 1, 2004, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2005, taking into account the amounts appropriated to and received by the System under subsection (d) of Section 7.2 of the General Obligation Bond Act.

(b) Beginning in State fiscal year 1996, on or as soon as possible after the 15th day of each month the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a). These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year.

If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this Section, the difference shall be paid from the General Revenue Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

(Source: P.A. 88-593, eff. 8-22-94.)

Section 99. Effective date. This Act takes effect upon becoming law.

(d) Task Force members shall receive no compensation.

(e) The Task Force must hold at least 4 meetings and public hearings as necessary.

(f) The Task Force shall report its findings and recommendations to the Governor and General Assembly no later than January 30, 2018, and, upon filing its report, the Task Force is dissolved.

(g) This Section is repealed on March 1, 2018.

ARTICLE 75. CASH FLOW BORROWING AND BONDS

Section 75-5. The State Finance Act is amended by adding Sections 5.878 and 5h.5 as follows:

(30 ILCS 105/5.878 new)

Sec. 5.878. The Income Tax Bond Fund.

(30 ILCS 105/5h.5 new)

Sec. 5h.5. Cash flow borrowing and general funds liquidity; Fiscal Year 2018.

(a) In order to meet cash flow deficits and to maintain liquidity in general funds and the Health Insurance Reserve Fund, on and after July 1, 2017 and through December 31, 2018, the State Treasurer and the State Comptroller, in consultation with the Governor's Office of Management and Budget, shall make transfers to general funds and the Health Insurance Reserve

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Fund, as directed by the State Comptroller, out of special funds of the State, to the extent allowed by federal law.

No such transfer may reduce the cumulative balance of all of the special funds of the State to an amount less than the total debt service payable during the 12 months immediately following the date of the transfer on any bonded indebtedness of the State and any certificates issued under the Short Term Borrowing Act. At no time shall the outstanding total transfers made from the special funds of the State to general funds and the Health Insurance Reserve Fund under this Section exceed $1,200,000,000; once the amount of $1,200,000,000 has been transferred from the special funds of the State to general funds and the Health Insurance Reserve Fund, additional transfers may be made from the special funds of the State to general funds and the Health Insurance Reserve Fund under this Section only to the extent that moneys have first been re-transferred from general funds and the Health Insurance Reserve Fund to those special funds of the State. Notwithstanding any other provision of this Section, no such transfer may be made from any special fund that is exclusively collected by or directly appropriated to any other constitutional officer without the written approval of that constitutional officer.

(b) If moneys have been transferred to general funds and the Health Insurance Reserve Fund pursuant to subsection (a) of this Section, this amendatory Act of the 100th General Assembly shall constitute the continuing authority for and direction to the State Treasurer and State Comptroller to reimburse the funds of origin from general funds by transferring to the funds of origin, at such times and in such amounts as directed by the Comptroller when necessary to support appropriated expenditures from the funds, an amount equal to that transferred from them plus any interest that would have accrued thereon had the transfer not occurred, except that any moneys transferred pursuant to subsection (a) of this Section shall be repaid to the fund of origin within 24 months after the date on which they were borrowed. When any of the funds from which moneys have been transferred pursuant to subsection (a) have insufficient cash from which the State Comptroller may make expenditures properly supported by appropriations from the fund, then the State Treasurer and State Comptroller shall transfer from general funds to the fund only such amount as is immediately necessary to satisfy outstanding expenditure obligations on a timely basis.

(c) On the first day of each quarterly period in each fiscal year, until such time as a report indicates that all moneys borrowed and interest pursuant to this Section have been repaid, the Comptroller shall provide to the President and the Minority Leader of the Senate, the Speaker and the Minority Leader of the House of Representatives, and the Commission on Government Forecasting and Accountability a report on all transfers made pursuant to this Section in the prior quarterly period. The report must be provided in electronic format. The report must include all of the following:

(1) the date each transfer was made;

(2) the amount of each transfer;

(3) in the case of a transfer from general funds to a fund of origin pursuant to subsection (b) of this Section, the amount of interest being paid to the fund of origin; and

(4) the end of day balance of the fund of origin, the general funds, and the Health Insurance Reserve Fund on the date the transfer was made.

Section 75-10. The General Obligation Bond Act is amended by changing Sections 2, 2.5, 9, 11, 12, and 13 and by adding Section 7.6 as follows:

(30 ILCS 330/2) (from Ch. 127, par. 652)

Sec. 2. Authorization for Bonds. The State of Illinois is authorized to issue, sell and provide for the retirement of General Obligation Bonds of the State of Illinois for the categories and specific purposes expressed in Sections 2 through 8 of this Act, in the total amount of $55,917,925,743 ~~$49,917,925,743~~.

The bonds authorized in this Section 2 and in Section 16 of this Act are herein called "Bonds".

Of the total amount of Bonds authorized in this Act, up to

$2,200,000,000 in aggregate original principal amount may be issued and sold in accordance with the Baccalaureate Savings Act in the form of General Obligation College Savings Bonds.

Of the total amount of Bonds authorized in this Act, up to $300,000,000 in aggregate original principal amount may be issued and sold in accordance with the Retirement Savings Act in the form of General Obligation Retirement Savings Bonds.

Of the total amount of Bonds authorized in this Act, the additional $10,000,000,000 authorized by Public Act 93-2, the $3,466,000,000 authorized by Public Act 96-43, and the $4,096,348,300 authorized by Public Act 96-1497 shall be used solely as provided in Section 7.2.

Of the total amount of Bonds authorized in this Act, the additional $6,000,000,000 authorized by this amendatory Act of the 100th General Assembly shall be used solely as provided in Section 7.6 and shall be issued by December 31, 2017.

The issuance and sale of Bonds pursuant to the General Obligation Bond Act is an economical and efficient method of financing the long-term capital needs of the State. This Act will permit the issuance of a multi-purpose General Obligation Bond with uniform terms and features. This will not only lower the cost of registration but also reduce the overall cost of issuing debt by improving the marketability of Illinois General Obligation Bonds.

(Source: P.A. 97-333, eff. 8-12-11; 97-771, eff. 7-10-12; 97-813, eff. 7-13-12; 98-94, eff. 7-17-13; 98-463, eff.

8-16-13; 98-781, eff. 7-22-14.)

(30 ILCS 330/2.5)

Sec. 2.5. Limitation on issuance of Bonds.

(a) Except as provided in subsection (b), no Bonds may be issued if, after the issuance, in the next State fiscal year after the issuance of the Bonds, the amount of debt service (including principal, whether payable at maturity or pursuant to mandatory sinking fund installments, and interest) on all then-outstanding Bonds, other than (i) Bonds authorized by this amendatory Act of the 100th General Assembly, (ii) Bonds issued ~~authorized~~ by Public Act 96-43, and (iii) ~~other than~~ Bonds authorized by Public Act 96-1497, would exceed 7% of the aggregate appropriations from the general funds (which consist of the General Revenue Fund, the Common School Fund, the General Revenue Common School Special Account Fund, and the Education Assistance Fund) and the Road Fund for the fiscal year immediately prior to the fiscal year of the issuance.

(b) If the Comptroller and Treasurer each consent in writing, Bonds may be issued even if the issuance does not comply with subsection (a). In addition, $2,000,000,000 in Bonds for the purposes set forth in Sections 3, 4, 5, 6, and 7, and $2,000,000,000 in Refunding Bonds under Section 16, may be issued during State fiscal year 2017 without complying with subsection (a).

(Source: P.A. 99-523, eff. 6-30-16.)

(30 ILCS 330/7.6 new)

Sec. 7.6. Income Tax Proceed Bonds.

(a) As used in this Act, "Income Tax Proceed Bonds" means Bonds (i) authorized by this amendatory Act of the 100th General Assembly or any other Public Act of the 100th General Assembly authorizing the issuance of Income Tax Proceed Bonds and (ii) used for the payment of unpaid obligations of the State as incurred from time to time and as authorized by the General Assembly.

(b) Income Tax Proceed Bonds in the amount of $6,000,000,000 are hereby authorized to be used for the purpose of paying vouchers incurred by the State prior to July 1, 2017.

(c) The Income Tax Bond Fund is hereby created as a special fund in the State treasury. All moneys from the proceeds of the sale of the Income Tax Proceed Bonds, less the amounts authorized in the Bond Sale Order to be directly paid out for bond sale expenses under Section 8, shall be deposited into the Income Tax Bond Fund. All moneys in the Income Tax Bond Fund shall be used for the purpose of paying vouchers incurred by the State prior to July 1, 2017. For the purpose of paying such vouchers, the Comptroller has the authority to transfer moneys from the Income Tax Bond Fund to general funds and the Health Insurance Reserve Fund. "General funds" has the meaning provided in Section 50-40 of the State Budget Law.

(30 ILCS 330/9) (from Ch. 127, par. 659)

Sec. 9. Conditions for Issuance and Sale of Bonds - Requirements for Bonds.

(a) Except as otherwise provided in this subsection and subsection (h), Bonds shall be issued and sold from time to time, in one or more series, in such amounts and at such prices as may be directed by the Governor, upon recommendation by the Director of the Governor's Office of Management and Budget. Bonds shall be in such form (either coupon, registered or book entry), in such denominations, payable within 25 years from their date, subject to such terms of redemption with or without premium, bear interest payable at such times and at such fixed or variable rate or rates, and be dated as shall be fixed and determined by the Director of the Governor's Office of Management and Budget in the order authorizing the issuance and sale of any series of Bonds, which order shall be approved by the Governor and is herein called a "Bond Sale Order"; provided however, that interest payable at fixed or variable rates shall not exceed that permitted in the Bond Authorization Act, as now or hereafter amended. Bonds shall be payable at such place or places, within or without the State of Illinois, and may be made registrable as to either principal or as to both principal and interest, as shall be specified in the Bond Sale Order. Bonds may be callable or subject to purchase and retirement or tender and remarketing as fixed and determined in the Bond Sale Order. Bonds, other than Bonds issued under Section 3 of this

Act for the costs associated with the purchase and implementation of information technology, (i) except for refunding Bonds satisfying the requirements of Section 16 of this Act and sold during fiscal year 2009, 2010, 2011, or 2017 must be issued with principal or mandatory redemption amounts in equal amounts, with the first maturity issued occurring within the fiscal year in which the Bonds are issued or within the next succeeding fiscal year and (ii) must mature or be subject to mandatory redemption each fiscal year thereafter up to 25 years, except for refunding Bonds satisfying the requirements of Section 16 of this Act and sold during fiscal year 2009, 2010, or 2011 which must mature or be subject to mandatory redemption each fiscal year thereafter up to 16 years. Bonds issued under Section 3 of this Act for the costs associated with the purchase and implementation of information technology must be issued with principal or mandatory redemption amounts in equal amounts, with the first maturity issued occurring with the fiscal year in which the respective bonds are issued or with the next succeeding fiscal year, with the respective bonds issued maturing or subject to mandatory redemption each fiscal year thereafter up to 10 years. Notwithstanding any provision of this Act to the contrary, the Bonds authorized by Public Act 96-43 shall be payable within 5 years from their date and must be issued with principal or mandatory redemption amounts in equal amounts, with payment of principal or mandatory redemption beginning in the first fiscal year following the fiscal year in which the Bonds are issued.

Notwithstanding any provision of this Act to the contrary, the Bonds authorized by Public Act 96-1497 shall be payable within 8 years from their date and shall be issued with payment of maturing principal or scheduled mandatory redemptions in accordance with the following schedule, except the following amounts shall be prorated if less than the total additional amount of Bonds authorized by Public Act 96-1497 are issued:

Fiscal Year After Issuance	Amount
1-2	$0
3	$110,712,120
4	$332,136,360
5	$664,272,720
6-8	$996,409,080

Notwithstanding any provision of this Act to the contrary, Income Tax Proceed Bonds issued under Section 7.6 shall be payable 12 years from the date of sale and shall be issued with payment of principal or mandatory redemption.

In the case of any series of Bonds bearing interest at a variable interest rate ("Variable Rate Bonds"), in lieu of determining the rate or rates at which such series of Variable Rate Bonds shall bear interest and the price or prices at which such Variable Rate Bonds shall be initially sold or remarketed (in the event of purchase and subsequent resale), the Bond Sale Order may provide that such interest rates and prices may vary from time to time depending on criteria established in such

Bond Sale Order, which criteria may include, without limitation, references to indices or variations in interest rates as may, in the judgment of a remarketing agent, be necessary to cause Variable Rate Bonds of such series to be remarketable from time to time at a price equal to their principal amount, and may provide for appointment of a bank, trust company, investment bank, or other financial institution to serve as remarketing agent in that connection. The Bond Sale Order may provide that alternative interest rates or provisions for establishing alternative interest rates, different security or claim priorities, or different call or amortization provisions will apply during such times as Variable Rate Bonds of any series are held by a person providing credit or liquidity enhancement arrangements for such Bonds as authorized in subsection (b) of this Section. The Bond Sale Order may also provide for such variable interest rates to be established pursuant to a process generally known as an auction rate process and may provide for appointment of one or more financial institutions to serve as auction agents and broker-dealers in connection with the establishment of such interest rates and the sale and remarketing of such Bonds.

(b) In connection with the issuance of any series of Bonds, the State may enter into arrangements to provide additional security and liquidity for such Bonds, including, without limitation, bond or interest rate insurance or letters of credit, lines of credit, bond purchase contracts, or other arrangements whereby funds are made available to retire or purchase Bonds, thereby assuring the ability of owners of the Bonds to sell or redeem their Bonds. The State may enter into contracts and may agree to pay fees to persons providing such arrangements, but only under circumstances where the Director of the Governor's Office of Management and Budget certifies that he or she reasonably expects the total interest paid or to be paid on the Bonds, together with the fees for the arrangements (being treated as if interest), would not, taken together, cause the Bonds to bear interest, calculated to their stated maturity, at a rate in excess of the rate that the Bonds would bear in the absence of such arrangements.

The State may, with respect to Bonds issued or anticipated to be issued, participate in and enter into arrangements with respect to interest rate protection or exchange agreements, guarantees, or financial futures contracts for the purpose of limiting, reducing, or managing interest rate exposure. The authority granted under this paragraph, however, shall not increase the principal amount of Bonds authorized to be issued by law. The arrangements may be executed and delivered by the Director of the Governor's Office of Management and Budget on behalf of the State. Net payments for such arrangements shall constitute interest on the Bonds and shall be paid from the General Obligation Bond Retirement and Interest Fund. The Director of the Governor's Office of Management and Budget shall at least annually certify to the Governor and the State

Comptroller his or her estimate of the amounts of such net payments to be included in the calculation of interest required to be paid by the State.

(c) Prior to the issuance of any Variable Rate Bonds pursuant to subsection (a), the Director of the Governor's Office of Management and Budget shall adopt an interest rate risk management policy providing that the amount of the State's variable rate exposure with respect to Bonds shall not exceed 20%. This policy shall remain in effect while any Bonds are outstanding and the issuance of Bonds shall be subject to the terms of such policy. The terms of this policy may be amended from time to time by the Director of the Governor's Office of Management and Budget but in no event shall any amendment cause the permitted level of the State's variable rate exposure with respect to Bonds to exceed 20%.

(d) "Build America Bonds" in this Section means Bonds authorized by Section 54AA of the Internal Revenue Code of 1986, as amended ("Internal Revenue Code"), and bonds issued from time to time to refund or continue to refund "Build America Bonds".

(e) Notwithstanding any other provision of this Section, Qualified School Construction Bonds shall be issued and sold from time to time, in one or more series, in such amounts and at such prices as may be directed by the Governor, upon recommendation by the Director of the Governor's Office of Management and Budget. Qualified School Construction Bonds shall be in such form (either coupon, registered or book entry), in such denominations, payable within 25 years from their date, subject to such terms of redemption with or without premium, and if the Qualified School Construction Bonds are issued with a supplemental coupon, bear interest payable at such times and at such fixed or variable rate or rates, and be dated as shall be fixed and determined by the Director of the Governor's Office of Management and Budget in the order authorizing the issuance and sale of any series of Qualified School Construction Bonds, which order shall be approved by the Governor and is herein called a "Bond Sale Order"; except that interest payable at fixed or variable rates, if any, shall not exceed that permitted in the Bond Authorization Act, as now or hereafter amended. Qualified School Construction Bonds shall be payable at such place or places, within or without the State of Illinois, and may be made registrable as to either principal or as to both principal and interest, as shall be specified in the Bond Sale Order. Qualified School Construction Bonds may be callable or subject to purchase and retirement or tender and remarketing as fixed and determined in the Bond Sale Order. Qualified School Construction Bonds must be issued with principal or mandatory redemption amounts or sinking fund payments into the General Obligation Bond Retirement and Interest Fund (or subaccount therefor) in equal amounts, with the first maturity issued, mandatory redemption payment or sinking fund payment occurring within the fiscal year in which the Qualified School Construction Bonds are issued or within the next succeeding fiscal year, with Qualified School Construction Bonds issued maturing or subject to mandatory redemption or with sinking fund payments thereof deposited each fiscal year thereafter up to 25 years. Sinking fund payments set forth in this subsection shall be permitted only to the extent authorized in Section 54F of the Internal Revenue Code or as otherwise determined by the Director of the Governor's Office of Management and Budget. "Qualified School Construction Bonds" in this subsection means Bonds authorized by Section 54F of the Internal Revenue Code and for bonds issued from time to time to refund or continue to refund such "Qualified School Construction Bonds".

(f) Beginning with the next issuance by the Governor's Office of Management and Budget to the Procurement Policy Board of a request for quotation for the purpose of formulating a new pool of qualified underwriting banks list, all entities responding to such a request for quotation for inclusion on that list shall provide a written report to the Governor's Office of Management and Budget and the Illinois Comptroller. The written report submitted to the Comptroller shall (i) be published on the Comptroller's Internet website and (ii) be used by the Governor's Office of Management and Budget for the purposes of scoring such a request for quotation. The written report, at a minimum, shall:

(1) disclose whether, within the past 3 months,

pursuant to its credit default swap market-making activities, the firm has entered into any State of Illinois credit default swaps ("CDS");

(2) include, in the event of State of Illinois CDS activity, disclosure of the firm's cumulative notional volume of State of Illinois CDS trades and the firm's outstanding gross and net notional amount of State of Illinois CDS, as of the end of the current 3-month period;

(3) indicate, pursuant to the firm's proprietary trading activities, disclosure of whether the firm, within the past 3 months, has entered into any proprietary trades for its own account in State of Illinois CDS;

(4) include, in the event of State of Illinois proprietary trades, disclosure of the firm's outstanding gross and net notional amount of proprietary State of Illinois CDS and whether the net position is short or long credit protection, as of the end of the current 3-month period;

(5) list all time periods during the past 3 months during which the firm held net long or net short State of Illinois CDS proprietary credit protection positions, the amount of such positions, and whether those positions were net long or net short credit protection positions; and

(6) indicate whether, within the previous 3 months, the firm released any publicly available research or marketing reports that reference State of Illinois CDS and include

those research or marketing reports as attachments.

(g) All entities included on a Governor's Office of Management and Budget's pool of qualified underwriting banks list shall, as soon as possible after March 18, 2011 (the effective date of Public Act 96-1554), but not later than January 21, 2011, and on a quarterly fiscal basis thereafter, provide a written report to the Governor's Office of Management and Budget and the Illinois Comptroller. The written reports submitted to the Comptroller shall be published on the Comptroller's Internet website. The written reports, at a minimum, shall:

(1) disclose whether, within the past 3 months, pursuant to its credit default swap market-making activities, the firm has entered into any State of Illinois credit default swaps ("CDS");

(2) include, in the event of State of Illinois CDS activity, disclosure of the firm's cumulative notional volume of State of Illinois CDS trades and the firm's outstanding gross and net notional amount of State of Illinois CDS, as of the end of the current 3-month period;

(3) indicate, pursuant to the firm's proprietary trading activities, disclosure of whether the firm, within the past 3 months, has entered into any proprietary trades for its own account in State of Illinois CDS;

(4) include, in the event of State of Illinois proprietary trades, disclosure of the firm's outstanding

gross and net notional amount of proprietary State of Illinois CDS and whether the net position is short or long credit protection, as of the end of the current 3-month period;

(5) list all time periods during the past 3 months during which the firm held net long or net short State of Illinois CDS proprietary credit protection positions, the amount of such positions, and whether those positions were net long or net short credit protection positions; and

(6) indicate whether, within the previous 3 months, the firm released any publicly available research or marketing reports that reference State of Illinois CDS and include those research or marketing reports as attachments.

(h) Notwithstanding any other provision of this Section, for purposes of maximizing market efficiencies and cost savings, Income Tax Proceed Bonds may be issued and sold from time to time, in one or more series, in such amounts and at such prices as may be directed by the Governor, upon recommendation by the Director of the Governor's Office of Management and Budget. Income Tax Proceed Bonds shall be in such form, either coupon, registered, or book entry, in such denominations, shall bear interest payable at such times and at such fixed or variable rate or rates, and be dated as shall be fixed and determined by the Director of the Governor's Office of Management and Budget in the order authorizing the issuance and sale of any series of Income Tax Proceed Bonds, which order shall be approved by the Governor and is herein called a "Bond Sale Order"; provided, however, that interest payable at fixed or variable rates shall not exceed that permitted in the Bond Authorization Act. Income Tax Proceed Bonds shall be payable at such place or places, within or without the State of Illinois, and may be made registrable as to either principal or as to both principal and interest, as shall be specified in the Bond Sale Order. Income Tax Proceed Bonds may be callable or subject to purchase and retirement or tender and remarketing as fixed and determined in the Bond Sale Order.

(Source: P.A. 99-523, eff. 6-30-16.)

(30 ILCS 330/11) (from Ch. 127, par. 661)

Sec. 11. Sale of Bonds. Except as otherwise provided in this Section, Bonds shall be sold from time to time pursuant to notice of sale and public bid or by negotiated sale in such amounts and at such times as is directed by the Governor, upon recommendation by the Director of the Governor's Office of Management and Budget. At least 25%, based on total principal amount, of all Bonds issued each fiscal year shall be sold pursuant to notice of sale and public bid. At all times during each fiscal year, no more than 75%, based on total principal amount, of the Bonds issued each fiscal year, shall have been sold by negotiated sale. Failure to satisfy the requirements in the preceding 2 sentences shall not affect the validity of any previously issued Bonds; provided that all Bonds authorized by

Public Act 96-43 and Public Act 96-1497 shall not be included in determining compliance for any fiscal year with the requirements of the preceding 2 sentences; and further provided that refunding Bonds satisfying the requirements of Section 16 of this Act and sold during fiscal year 2009, 2010, 2011, or 2017 shall not be subject to the requirements in the preceding 2 sentences.

If any Bonds, including refunding Bonds, are to be sold by negotiated sale, the Director of the Governor's Office of Management and Budget shall comply with the competitive request for proposal process set forth in the Illinois Procurement Code and all other applicable requirements of that Code.

If Bonds are to be sold pursuant to notice of sale and public bid, the Director of the Governor's Office of Management and Budget may, from time to time, as Bonds are to be sold, advertise the sale of the Bonds in at least 2 daily newspapers, one of which is published in the City of Springfield and one in the City of Chicago. The sale of the Bonds shall also be advertised in the volume of the Illinois Procurement Bulletin that is published by the Department of Central Management Services, and shall be published once at least 10 days prior to the date fixed for the opening of the bids. The Director of the Governor's Office of Management and Budget may reschedule the date of sale upon the giving of such additional notice as the Director deems adequate to inform prospective bidders of such change; provided, however, that all other conditions of the sale shall continue as originally advertised.

Executed Bonds shall, upon payment therefor, be delivered to the purchaser, and the proceeds of Bonds shall be paid into the State Treasury as directed by Section 12 of this Act.

All Income Tax Proceed Bonds shall comply with this Section. Notwithstanding anything to the contrary, however, for purposes of complying with this Section, Income Tax Proceed Bonds, regardless of the number of series or issuances sold thereunder, shall be considered a single issue or series. Furthermore, for purposes of complying with the competitive bidding requirements of this Section, the words "at all times" shall not apply to any such sale of the Income Tax Proceed Bonds. The Director of the Governor's Office of Management and Budget shall determine the time and manner of any competitive sale of the Income Tax Proceed Bonds; however, that sale shall under no circumstances take place later than 60 days after the State closes the sale of 75% of the Income Tax Proceed Bonds by negotiated sale.

(Source: P.A. 98-44, eff. 6-28-13; 99-523, eff. 6-30-16.)

(30 ILCS 330/12) (from Ch. 127, par. 662)

Sec. 12. Allocation of Proceeds from Sale of Bonds.

(a) Proceeds from the sale of Bonds, authorized by Section 3 of this Act, shall be deposited in the separate fund known as the Capital Development Fund.

(b) Proceeds from the sale of Bonds, authorized by paragraph (a) of Section 4 of this Act, shall be deposited in the separate fund known as the Transportation Bond, Series A Fund.

(c) Proceeds from the sale of Bonds, authorized by paragraphs (b) and (c) of Section 4 of this Act, shall be deposited in the separate fund known as the Transportation Bond, Series B Fund.

(c-1) Proceeds from the sale of Bonds, authorized by paragraph (d) of Section 4 of this Act, shall be deposited into the Transportation Bond Series D Fund, which is hereby created.

(d) Proceeds from the sale of Bonds, authorized by Section 5 of this Act, shall be deposited in the separate fund known as the School Construction Fund.

(e) Proceeds from the sale of Bonds, authorized by Section 6 of this Act, shall be deposited in the separate fund known as the Anti-Pollution Fund.

(f) Proceeds from the sale of Bonds, authorized by Section 7 of this Act, shall be deposited in the separate fund known as the Coal Development Fund.

(f-2) Proceeds from the sale of Bonds, authorized by Section 7.2 of this Act, shall be deposited as set forth in Section 7.2.

(f-5) Proceeds from the sale of Bonds, authorized by Section 7.5 of this Act, shall be deposited as set forth in Section 7.5.

<u>(f-7) Proceeds from the sale of Bonds, authorized by</u>

Section 7.6 of this Act, shall be deposited as set forth in Section 7.6.

(g) Proceeds from the sale of Bonds, authorized by Section 8 of this Act, shall be deposited in the Capital Development Fund.

(h) Subsequent to the issuance of any Bonds for the purposes described in Sections 2 through 8 of this Act, the Governor and the Director of the Governor's Office of Management and Budget may provide for the reallocation of unspent proceeds of such Bonds to any other purposes authorized under said Sections of this Act, subject to the limitations on aggregate principal amounts contained therein. Upon any such reallocation, such unspent proceeds shall be transferred to the appropriate funds as determined by reference to paragraphs (a) through (g) of this Section.

(Source: P.A. 96-36, eff. 7-13-09.)

(30 ILCS 330/13) (from Ch. 127, par. 663)

Sec. 13. Appropriation of Proceeds from Sale of Bonds.

(a) At all times, the proceeds from the sale of Bonds issued pursuant to this Act are subject to appropriation by the General Assembly and, except as provided in Sections ~~Section~~ 7.2 and 7.6, may be obligated or expended only with the written approval of the Governor, in such amounts, at such times, and for such purposes as the respective State agencies, as defined in Section 1-7 of the Illinois State Auditing Act, as amended, deem necessary or desirable for the specific purposes contemplated in Sections 2 through 8 of this Act. Notwithstanding any other provision of this Act, proceeds from the sale of Bonds issued pursuant to this Act appropriated by the General Assembly to the Architect of the Capitol may be obligated or expended by the Architect of the Capitol without the written approval of the Governor.

(b) Proceeds from the sale of Bonds for the purpose of development of coal and alternative forms of energy shall be expended in such amounts and at such times as the Department of Commerce and Economic Opportunity, with the advice and recommendation of the Illinois Coal Development Board for coal development projects, may deem necessary and desirable for the specific purpose contemplated by Section 7 of this Act. In considering the approval of projects to be funded, the Department of Commerce and Economic Opportunity shall give special consideration to projects designed to remove sulfur and other pollutants in the preparation and utilization of coal, and in the use and operation of electric utility generating plants and industrial facilities which utilize Illinois coal as their primary source of fuel.

(c) Except as directed in subsection (c-1) or (c-2), any monies received by any officer or employee of the state representing a reimbursement of expenditures previously paid from general obligation bond proceeds shall be deposited into the General Obligation Bond Retirement and Interest Fund authorized in Section 14 of this Act.

(c-1) Any money received by the Department of Transportation as reimbursement for expenditures for high speed rail purposes pursuant to appropriations from the Transportation Bond, Series B Fund for (i) CREATE (Chicago Region Environmental and Transportation Efficiency), (ii) High Speed Rail, or (iii) AMTRAK projects authorized by the federal government under the provisions of the American Recovery and Reinvestment Act of 2009 or the Safe Accountable Flexible Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU), or any successor federal transportation authorization Act, shall be deposited into the Federal High Speed Rail Trust Fund.

(c-2) Any money received by the Department of Transportation as reimbursement for expenditures for transit capital purposes pursuant to appropriations from the Transportation Bond, Series B Fund for projects authorized by the federal government under the provisions of the American Recovery and Reinvestment Act of 2009 or the Safe Accountable Flexible Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU), or any successor federal transportation authorization Act, shall be deposited into the Federal Mass Transit Trust Fund.

(Source: P.A. 98-674, eff. 6-30-14.)

ARTICLE 80. SPECIAL FUND TRANSFERS

Section 80-5. The State Finance Act is amended by adding Section 8.52 as follows:

(30 ILCS 105/8.52 new)

Sec. 8.52. Special fund transfers.

(a) In order to maintain the integrity of special funds and improve stability in the General Revenue Fund, the Budget Stabilization Fund, the Healthcare Provider Relief Fund, and the Health Insurance Reserve Fund, the State Treasurer and the State Comptroller shall make transfers to the General Revenue Fund, the Budget Stabilization Fund, the Healthcare Provider Relief Fund, or the Health Insurance Reserve Fund, from time to time through June 30, 2018, in consultation with the Governor's Office of Management and Budget, in amounts not to exceed the total set forth below for each fund:

Abandoned Residential Property Municipality Relief Fund $6,600,000

Aggregate Operations Regulatory Fund $500,000

Agricultural Master Fund $900,000

Alternate Fuels Fund $1,300,000

Appraisal Administration Fund $400,000

Bank and Trust Company Fund $917,400

Care Provider Fund for Persons with a Developmental Disability $1,000,000

Cemetery Oversight Licensing and Disciplinary Fund .. $50,900

Clean Air Act Permit Fund	$911,600
Coal Technology Development Assistance Fund	$9,500,000
Community Health Center Care Fund	$800,000
Compassionate Use of Medical Cannabis Fund	$2,500,000
Conservation Police Operations Assistance Fund	$1,400,000
Credit Union Fund	$176,200
Criminal Justice Information Projects Fund	$400,000
Death Certificate Surcharge Fund	$70,500
Death Penalty Abolition Fund	$309,800
Department of Corrections Reimbursement and Education Fund	$180,000
Department of Human Rights Special Fund	$100,000
DHS Private Resources Fund	$1,000,000
DHS Recoveries Trust Fund	$5,515,000
DHS Technology Initiative Fund	$2,250,000
Digital Divide Elimination Fund	$1,347,000
Distance Learning Fund	$180,000
Dram Shop Fund	$365,000
Drug Treatment Fund	$195,000
Drunk and Drugged Driving Prevention Fund	$90,000
Early Intervention Services Revolving Fund	$5,000,000
Economic Research and Information Fund	$11,000
Electronics Recycling Fund	$450,000
Energy Efficiency Trust Fund	$7,600,000
Environmental Laboratory Certification Fund	$200,000
Environmental Protection Permit and Inspection Fund ..	$461,800

Environmental Protection Trust Fund	$265,000
Explosives Regulatory Fund	$280,000
Feed Control Fund	$6,800,000
Fertilizer Control Fund	$4,100,000
Financial Institution Fund	$328,200
Fire Prevention Fund	$10,000,000
Foreclosure Prevention Program Fund	$2,500,000
Foreclosure Prevention Program Graduated Fund	$2,500,000
General Professions Dedicated Fund	$612,700
Good Samaritan Energy Trust Fund	$29,000
Hazardous Waste Fund	$431,600
Health Facility Plan Review Fund	$78,200
Home Inspector Administration Fund	$500,000
Horse Racing Fund	$197,900
Hospital Licensure Fund	$1,000,000
Human Services Priority Capital Program Fund	$3,200
ICJIA Violence Prevention Special Projects Fund	$100,000
Illinois Adoption Registry and Medical Information Exchange Fund	$80,000
Illinois Affordable Housing Trust Fund	$5,000,000
Illinois Capital Revolving Loan Fund	$1,263,000
Illinois Clean Water Fund	$4,400,000
Illinois Equity Fund	$535,000
Illinois Fisheries Management Fund	$2,000,000
Illinois Forestry Development Fund	$264,300
Illinois Gaming Law Enforcement Fund	$62,000

Illinois Health Facilities Planning Fund $2,500,000

Illinois National Guard Billeting Fund $100,000

Illinois Standardbred Breeders Fund $500,000

Illinois State Dental Disciplinary Fund $1,500,000

Illinois State Medical Disciplinary Fund $5,000,000

Illinois State Pharmacy Disciplinary Fund $2,000,000

Illinois State Podiatric Disciplinary Fund $200,000

Illinois Thoroughbred Breeders Fund $500,000

Illinois Workers' Compensation Commission

Operations Fund $11,272,900

Insurance Financial Regulation Fund $10,941,900

Insurance Producer Administration Fund $15,000,000

Intercity Passenger Rail Fund $500,000

International and Promotional Fund $37,000

Large Business Attraction Fund $1,562,000

Law Enforcement Camera Grant Fund $1,500,000

LEADS Maintenance Fund $118,900

Low-Level Radioactive Waste Facility Development

and Operation Fund $1,300,000

Medicaid Buy-In Program Revolving Fund $300,000

Mental Health Fund $1,101,300

Mental Health Reporting Fund $624,100

Metabolic Screening and Treatment Fund $5,000,000

Money Laundering Asset Recovery Fund $63,700

Motor Carrier Safety Inspection Fund $115,000

Motor Vehicle Theft Prevention Trust Fund $6,000,000

Natural Areas Acquisition Fund $2,000,000

Natural Resources Restoration Trust Fund $2,100,000

Nuclear Safety Emergency Preparedness Fund $6,000,000

Nursing Dedicated and Professional Fund $5,000,000

Pesticide Control Fund $400,000

Plugging and Restoration Fund $1,200,000

Plumbing Licensure and Program Fund $89,000

Pollution Control Board Fund $300,000

Port Development Revolving Loan Fund $410,000

Prescription Pill and Drug Disposal Fund $250,000

Professions Indirect Cost Fund $1,409,500

Provider Inquiry Trust Fund $500,000

Public Health Special State Projects Fund $10,000,000

Public Infrastructure Construction Loan

Revolving Fund $1,500,000

Public Pension Regulation Fund $100,300

Quality of Life Endowment Fund $337,500

Radiation Protection Fund $4,500,000

Rail Freight Loan Repayment Fund $1,000,000

Real Estate License Administration Fund $3,000,000

Real Estate Research and Education Fund $250,000

Registered Certified Public Accountants' Administration

and Disciplinary Fund $1,500,000

Regulatory Evaluation and Basic Enforcement Fund $150,000

Regulatory Fund $330,000

Renewable Energy Resources Trust Fund $12,000,000

Rental Housing Support Program Fund	$760,000
Residential Finance Regulatory Fund	$127,000
Roadside Memorial Fund	$200,000
Safe Bottled Water Fund	$150,000
School Technology Revolving Loan Fund	$1,500,000
Sex Offender Registration Fund	$100,000
Small Business Environmental Assistance Fund	$294,000
Snowmobile Trail Establishment Fund	$150,000
Solid Waste Management Fund	$13,900,000
Spinal Cord Injury Paralysis Cure Research Trust Fund	$300,000
State Asset Forfeiture Fund	$185,000
State Charter School Commission Fund	$100,000
State Crime Laboratory Fund	$150,500
State Furbearer Fund	$200,000
State Offender DNA Identification System Fund	$98,200
State Parks Fund	$662,000
State Police DUI Fund	$57,100
State Police Firearm Services Fund	$7,200,000
State Police Merit Board Public Safety Fund	$58,200
State Police Operations Assistance Fund	$1,022,000
State Police Services Fund	$3,500,000
State Police Whistleblower Reward and Protection Fund..................................	$625,700
State Rail Freight Loan Repayment Fund	$6,000,000
Statewide 9-1-1 Fund	$5,926,000

Subtitle D Management Fund	$1,000,000
Tax Compliance and Administration Fund	$2,800,000
TOMA Consumer Protection Fund	$200,000
Tourism Promotion Fund	$5,000,000
Traffic and Criminal Conviction Surcharge Fund	$638,100
Trauma Center Fund	$3,000,000
Underground Resources Conservation Enforcement Fund	$700,000
Used Tire Management Fund	$17,500,000
Weights and Measures Fund	$256,100
Wireless Carrier Reimbursement Fund	$327,000
Workforce, Technology, and Economic Development Fund	$65,000
Total	$292,826,300

(b) On and after the effective date of this amendatory Act of the 100th General Assembly through the end of State fiscal year 2018, when any of the funds listed in subsection (a) has insufficient cash from which the State Comptroller may make expenditures properly supported by appropriations from the fund, then the State Treasurer and State Comptroller, in consultation with the Governor's Office of Management and Budget, shall transfer from the General Revenue Fund to the fund only such amount as is immediately necessary to satisfy outstanding expenditure obligations on a timely basis, subject to the provisions of the State Prompt Payment Act. All or a portion of the amounts transferred from the General Revenue

Fund to a fund pursuant to this subsection (b) from time to time may be re-transferred by the State Comptroller and the State Treasurer from the receiving fund into the General Revenue Fund as soon as and to the extent that deposits are made into or receipts are collected by the receiving fund.

(c) The State Treasurer and State Comptroller shall transfer the amounts designated under subsection (a) of this Section as soon as may be practicable. If the Director of the Governor's Office of Management and Budget determines that any transfer authorized by this Section from a special fund under subsection (a) either (i) jeopardizes federal funding based on a written communication from a federal official or (ii) violates an order of a court of competent jurisdiction, then the Director may request the State Treasurer and State Comptroller, in writing, to transfer from the General Revenue Fund to that listed special fund all or part of the amounts transferred from that special fund under subsection (a).

(d) During State fiscal year 2018, the report filed under Section 7.2 of the Governor's Office of Management and Budget Act shall contain, in addition to the information otherwise required, information on all transfers made pursuant to this Section, including all of the following:

(1) The date each transfer was made.

(2) The amount of each transfer.

(3) In the case of a transfer from the General Revenue Fund to a fund of origin pursuant to subsection (b) or (c),

the amount of such transfer and the date such transfer was made.

(4) The end of day balance of both the fund of origin and the receiving fund on the date the transfer was made.

(e) Notwithstanding any provision of law to the contrary, the transfers in this Section may be made through the end of State fiscal year 2018.

ARTICLE 85. SECRETARY OF STATE IDENTIFICATION SECURITY AND THEFT PREVENTION FUND

Section 85-5. The State Finance Act is amended by changing Section 6z-70 as follows:

(30 ILCS 105/6z-70)

Sec. 6z-70. The Secretary of State Identification Security and Theft Prevention Fund.

(a) The Secretary of State Identification Security and Theft Prevention Fund is created as a special fund in the State treasury. The Fund shall consist of any fund transfers, grants, fees, or moneys from other sources received for the purpose of funding identification security and theft prevention measures.

(b) All moneys in the Secretary of State Identification Security and Theft Prevention Fund shall be used, subject to appropriation, for any costs related to implementing identification security and theft prevention measures.

(c) Notwithstanding any other provision of State law to the contrary, on or after July 1, 2007, and until June 30, 2008, in addition to any other transfers that may be provided for by law, at the direction of and upon notification of the Secretary of State, the State Comptroller shall direct and the State Treasurer shall transfer amounts into the Secretary of State Identification Security and Theft Prevention Fund from the designated funds not exceeding the following totals:

Lobbyist Registration Administration Fund $100,000

Registered Limited Liability Partnership Fund $75,000

Securities Investors Education Fund $500,000

Securities Audit and Enforcement Fund $5,725,000

Department of Business Services

Special Operations Fund $3,000,000

Corporate Franchise Tax Refund Fund .... $3,000,000.

(d) Notwithstanding any other provision of State law to the contrary, on or after July 1, 2008, and until June 30, 2009, in addition to any other transfers that may be provided for by law, at the direction of and upon notification of the Secretary of State, the State Comptroller shall direct and the State Treasurer shall transfer amounts into the Secretary of State Identification Security and Theft Prevention Fund from the designated funds not exceeding the following totals:

Lobbyist Registration Administration Fund $100,000

Registered Limited Liability Partnership Fund $75,000

Securities Investors Education Fund $500,000

Securities Audit and Enforcement Fund $5,725,000

Department of Business Services

Special Operations Fund $3,000,000

Corporate Franchise Tax Refund Fund $3,000,000

State Parking Facility Maintenance Fund $100,000

(e) Notwithstanding any other provision of State law to the contrary, on or after July 1, 2009, and until June 30, 2010, in addition to any other transfers that may be provided for by law, at the direction of and upon notification of the Secretary of State, the State Comptroller shall direct and the State Treasurer shall transfer amounts into the Secretary of State Identification Security and Theft Prevention Fund from the designated funds not exceeding the following totals:

Lobbyist Registration Administration Fund $100,000

Registered Limited Liability Partnership Fund $175,000

Securities Investors Education Fund $750,000

Securities Audit and Enforcement Fund $750,000

Department of Business Services

Special Operations Fund $3,000,000

Corporate Franchise Tax Refund Fund $3,000,000

State Parking Facility Maintenance Fund $100,000

(f) Notwithstanding any other provision of State law to the contrary, on or after July 1, 2010, and until June 30, 2011, in addition to any other transfers that may be provided for by law, at the direction of and upon notification of the Secretary of State, the State Comptroller shall direct and the State

Treasurer shall transfer amounts into the Secretary of State Identification Security and Theft Prevention Fund from the designated funds not exceeding the following totals:

Registered Limited Liability Partnership Fund $287,000

Securities Investors Education Board $750,000

Securities Audit and Enforcement Fund $750,000

Department of Business Services Special

Operations Fund $3,000,000

Corporate Franchise Tax Refund Fund $3,000,000

(g) Notwithstanding any other provision of State law to the contrary, on or after July 1, 2011, and until June 30, 2012, in addition to any other transfers that may be provided for by law, at the direction of and upon notification of the Secretary of State, the State Comptroller shall direct and the State Treasurer shall transfer amounts into the Secretary of State Identification Security and Theft Prevention Fund from the designated funds not exceeding the following totals:

Division of Corporations Registered

Limited Liability Partnership Fund $287,000

Securities Investors Education Fund $750,000

Securities Audit and Enforcement Fund $3,500,000

Department of Business Services

Special Operations Fund $3,000,000

Corporate Franchise Tax Refund Fund $3,000,000

(h) Notwithstanding any other provision of State law to the contrary, on or after the effective date of this amendatory Act of the 98th General Assembly, and until June 30, 2014, in addition to any other transfers that may be provided for by law, at the direction of and upon notification from the Secretary of State, the State Comptroller shall direct and the State Treasurer shall transfer amounts into the Secretary of State Identification Security and Theft Prevention Fund from the designated funds not exceeding the following totals:

Division of Corporations Registered Limited
Liability Partnership Fund $287,000
Securities Investors Education Fund $1,500,000
Department of Business Services Special
Operations Fund $3,000,000
Securities Audit and Enforcement Fund $3,500,000
Corporate Franchise Tax Refund Fund $3,000,000

(i) Notwithstanding any other provision of State law to the contrary, on or after the effective date of this amendatory Act of the 98th General Assembly, and until June 30, 2015, in addition to any other transfers that may be provided for by law, at the direction of and upon notification of the Secretary of State, the State Comptroller shall direct and the State Treasurer shall transfer amounts into the Secretary of State Identification Security and Theft Prevention Fund from the designated funds not exceeding the following totals:

Division of Corporations Registered Limited
Liability Partnership Fund $287,000
Securities Investors Education Fund $1,500,000

Department of Business Services

Special Operations Fund $3,000,000

Securities Audit and Enforcement Fund $3,500,000

Corporate Franchise Tax Refund Fund $3,000,000

(j) Notwithstanding any other provision of State law to the contrary, on or after July 1, 2017, and until June 30, 2018, in addition to any other transfers that may be provided for by law, at the direction of and upon notification of the Secretary of State, the State Comptroller shall direct and the State Treasurer shall transfer amounts into the Secretary of State Identification Security and Theft Prevention Fund from the designated funds not exceeding the following totals:

Registered Limited Liability Partnership Fund $287,000

Securities Investors Education Fund $1,500,000

Department of Business Services Special

Operations Fund $3,000,000

Securities Audit and Enforcement Fund $3,500,000

Corporate Franchise Tax Refund Fund $3,000,000

(Source: P.A. 97-72, eff. 7-1-11; 98-24, eff. 6-19-13; 98-674, eff. 6-30-14.)

ARTICLE 99. MISCELLANEOUS PROVISIONS

Section 99-5. The State Mandates Act is amended by adding Section 8.41 as follows:

(30 ILCS 805/8.41 new)

Sec. 8.41. Exempt mandate. Notwithstanding Sections 6 and 8 of this Act, no reimbursement by the State is required for the implementation of any mandate created by this amendatory Act of the 100th General Assembly.

Section 99-95. No acceleration or delay. Where this Act makes changes in a statute that is represented in this Act by text that is not yet or no longer in effect (for example, a Section represented by multiple versions), the use of that text does not accelerate or delay the taking effect of (i) the changes made by this Act or (ii) provisions derived from any other Public Act.

Section 99-99. Effective date. This Act takes effect upon becoming law.

RECORD OF PROCEEDINGS

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Sixth Illinois Constitutional Convention

* * *

VERBATIM TRANSCRIPTS

[V. 3]

* * *

May 22, 1970 to July 9, 1970

EXHIBIT C

of indebtedness are secured by the full faith and credit of the state or by specific tax or nontax revenue." And this is intended to make clear that we want the legislative provisions set out here to apply to both revenue bonds and general obligation bonds.

Then we have a couple of minor provisions, for short-term debt treatment only.

> The General Assembly may authorize the incurrence of indebtedness in anticipation of revenues to be collected in the current fiscal year. Such indebtedness shall be retired by the revenues which are anticipated and realized.

And this is simply to—as we have gone to an income tax, the flow of revenues will peak around April or May of each year, and in order to insure an orderly expenditure program throughout the year, we wanted authority in there to issue something like tax anticipation warrants or other evidence of short-term indebtedness in anticipation of the revenues coming in.

And finally, we provide:

> The state may issue evidence of indebtedness to meet deficits caused by failure of revenue or emergencies. The act authorizing such indebtedness shall require repayment within one year from the date of issue.

The force of this is to take into account the fact that as we deal with income and sales taxes for the major source of revenue in the state, these become sensitive to changes in the economy, and that failures of revenues may become a little more frequent than they have in the past. If this happens—if the take is not as great as it was expected to be—this becomes a prior obligation upon the appropriations the following year to take care of the shortfall in revenues. Or if it became necessary—because of a disaster somewhere in the state—to over obligate, they could do this providing that they did not extend the obligation for more than one year and that they retired it out of the following year's revenue.

Now that completes my presentation, and I would be glad to answer any questions.

VICE-PRESIDENT SMITH: Thank you, Colonel Johnson. Before we take the first question, we have a couple of added starters in the gallery, Mrs. Cooper and Mrs. Gertz. We are delighted to have you ladies. (Applause)

VICE-PRESIDENT SMITH: Mrs. Leahy?

MRS. LEAHY: I have two questions—or two areas. The first is that in line 5, you say, "as may be provided by the General Assembly." What you really mean there is, "as provided by law." Right?

MR. S. JOHNSON: Yes.

MRS. LEAHY: Would that carry on through the entire section that you mean the full law-making process, not some kind of procedure the General Assembly may decide?

MR. S. JOHNSON: The law-making process.

MRS. LEAHY: So in line no. 23, you mean that the General Assembly passes the statute, and then the governor has the veto or the signature power?

MR. S. JOHNSON: Right.

MRS. LEAHY: The second area—this seems pretty stiff to me, when I look at it. Do you think you are inviting the same kind of evasion because it is so stiff? And I am thinking here of your finance article in which you talked about the ability for public money to go to private agencies, corporations, or persons as long as it was serving a public purpose; and I am wondering if that might not open up significant ways to get around this.

MR. S. JOHNSON: There is always that possibility. It is hard to foresee. We know that the General Assembly in the past has been very ingenious in getting around restrictions, particularly in the field of debt and revenue, and every place else. Where it is especially stiffer is in the, of course, pulling under this tent all of the different authorities, which prior to this time have had to operate simply on the basis of a legislative majority.

MRS. LEAHY: Did your committee consider how easy or difficult—what this would do to the programs of those authorities right now? I mean, did you consider—we heard lots of testimony in General Government that a two-thirds requirement is tougher than a referendum, and yet you have pointed out the referendum runs into problems if the project seems to favor one part of the state.

MR. S. JOHNSON: That's right.

MRS. LEAHY: Do you think there is any chance of projects that favor one part of the state ever getting through under either one of these provisions?

MR. S. JOHNSON: I don't really know. I don't think it would have a chance under referendum, but it might under two-thirds majority, if there were enough legislators convinced that the entire state would benefit.

Now the alternative, of course, is to drop that two-thirds down to three-fifths or even a simple majority. And there, Mrs. Netsch, in fact, will be presenting an amendment which will call for indebting the state only by a simple majority of both houses.

VICE-PRESIDENT SMITH: Thank you. Delegate Mathias?

MR. MATHIAS: Thank you. I have two questions. One of them I think you referred to just now. I was wondering whether your committee gave consideration to permitting the incurring of indebtedness by a three-fifths vote of the members of each house. We can amend—or submit an amendment to the constitution, can override a veto by a three-fifths vote—did you give consideration to a three-fifths vote rather than a two-thirds requirement?

MR. S. JOHNSON: We did. We didn't consider any requirement higher than a two-thirds, but we considered those below it. I think we were guided a little bit by what most delegates feel is a conservative attitude of the people of this state toward debt, and this is why we settled on the two-thirds.

MR. MATHIAS: Secondly, this provision, as I read it, would apply to other agencies—the universities, colleges, and so on. Now the General Assembly has enacted revenue acts; the University of Illinois and the other various university agencies may issue revenue bonds; would this require a separate authorization from the legislature on each project—each residence hall, for instance—or could it be by general legislation authorizing the board of the University of Illinois or Board of Regents or governing board to issue revenue bonds?

MR. S. JOHNSON: The first line—or line 4 would cover that, and it would depend upon what the interpretation of the act was with regard to the specific purposes and amounts would be in the law. If the General Assembly felt that they could line out—line item out four or five projects in one act of legislation, this would be possible.

MR. MATHIAS: But you wouldn't have a general law authorizing a board from time to time to issue revenue bonds for residence halls or some such project?

MR. S. JOHNSON: I don't believe this would be possible. What do you think?

MR. KARNS: I don't believe it would be possible.

MR. MATHIAS: Thank you. The last question I have: Does this apply to refunding bonds?

MR. S. JOHNSON: Yes, I would think so.

VICE-PRESIDENT SMITH: Delegate Whalen?

MR. WHALEN: Delegate Johnson, my first question goes to the two-thirds requirement of the members elected and serving in each house to incur indebtedness. Did the committee make this decision after the Convention had voted on the three-fifths majority in each house to override a governor's veto, and after the three-fifths vote on the amending article, in the amending article?

MR. S. JOHNSON: Yes, we did. In fact, we originally had a tougher provision than this one. We originally—we had the double-barreled approach, but we had the requirement that the two-thirds majority to issue evidence of indebtedness be enacted by two succeeding General Assemblies, with the idea being that those standing for re-election would have as an issue to deal with the pending matter of an indebtedness of the state. We decided that this really would do little more than to drive us back into the kinds of evasions that we have had in the past, and so we settled on a one-time two-thirds majority, and we did it after the pattern of three-fifths had been established for the new constitution.

MR. WHALEN: My second question goes to lines 15 through 18 on page 4, where you set out another Revenue and Finance Committee laundry list to which this section is to apply. However, this laundry list is different than your finance article laundry list. For example, in your finance article laundry list you had state offices included. Now, did you intend to include state offices in this laundry list?

MR. JOHNSON: We intend to include any agency of the state which under its own authority can issue debt.

MR. WHALEN: Well, let me ask one other more explicit question. In the finance article laundry list, you use the term, "state educational institutions," which I presume could apply to vocational training centers, a training center for the blind, a rehabilitation center, and so on. And in this laundry list, you use the term "state colleges and universities."

VICE-PRESIDENT SMITH: Colonel Johnson, your colleague, Delegate Netsch, is volunteering to answer the question, I think.

MR. S. JOHNSON: Her assistance is always welcome.

MRS. NETSCH: Actually, that wasn't my purpose for arising. I'm sorry, because I am now interrupting. What I did want to do was to call the attention of the delegates to the fact that the Revenue Committee has prepared over the noon hour, a listing in very simplified form of some of the data that we have been presenting to them this morning, with respect to the personal property tax and yesterday with respect to some other taxes. That has been mimeographed and is being passed out at the present time, and we ask all of them to look for it in the piles of materials they are receiving, because I think it answers some of the questions that have been raised about a few basic factual materials in finance. Thank you.

VICE-PRESIDENT SMITH: Thank you. I am sorry I misread Mrs. Netsch's hand signals.

MR. WHALEN: I thought she was going to comment on the dirty laundry.

MR. S. JOHNSON: Thank you, Mrs. Netsch. But now we didn't answer. While you are at it, would you like to speak about the laundry list?

MRS. NETSCH: I am afraid I didn't hear his precise question, though.

MR. S. JOHNSON: He mentioned an inconsistency between the laundry list that we had under the *Executive Budget* in the finance article and under this. There is a different purpose involved, of course. There, under the finance article, we were intent upon making sure that all of the requirements of the state be incorporated in the governor's *Executive Budget*. Here we are concerned primarily with those agencies which indebt the state—to have them incorporated in here—but if you have any better ideas when we come to Style and Drafting, we would be most grateful for your help.

MR. WHALEN: My final question is, it would seem to me that a natural limitation might be placed upon the state's ability to incur debt by some of the rating agencies. For example, a utility won't incur more debt if it has a single A rating because you simply can't market the debt securities. On the other hand, if you can get a triple A rating from *Standard and Poor's*, your securities are more marketable, and therefore the market place, in effect, establishes how much debt you can incur.

My question is, did the committee consider the market place as being a reasonable limitation on the ability of the state to incur debt, and did you consider the impact of ratings such as *Standard and Poor's* on the state's ability to incur debt?

MR. S. JOHNSON: We did indeed, and we had testimony from bond experts. This was one of the considerations that caused us to bring in all these other agencies and try to—well, first of all, it caused us *not* to put a specific dollar ceiling in. What we want to do is to try to force into the general obligation bond area, a number of these revenue bonds that are really somewhat spurious as revenue bonds—that depend upon annual appropriations to pay off a supposed rental. These, according to the bond experts, cost us anywhere from 5/8ths to 1 percent more in annual interest charges, and so we did consider that.

MR. WHALEN: But I assume you rejected it, if you came up with this kind of limitation, that kind of market place theory.

MR. S. JOHNSON: If we went strictly by the market place theory, we wouldn't need any debt provision in there at all.

MR. WHALEN: Thank you.

VICE-PRESIDENT SMITH: Delegate Kenney, do you arise to respond to Delegate Whalen's question?

MR. KENNEY: No, I would like a point of personal privilege.

VICE-PRESIDENT SMITH: State your point, please.

MR. KENNEY: I believe Mrs. Netsch said something a moment ago that the Revenue Committee had done something over the noon hour, and I learned yesterday by accident in the afternoon that the Revenue Committee had done something yesterday over the noon hour, and I wonder if you mean this, Mrs. Netsch. I wasn't aware, as a member of the committee, that we were having a meeting over the noon hour. Could you explain this?

MRS. NETSCH: I didn't mean to—

VICE-PRESIDENT SMITH: Delegate Netsch?

MRS. NETSCH: Mr. Kenney, I did not mean to include you in if you wanted to be included out. What I meant was that some members of the Revenue Committee—we hope acting magnanimously on behalf of the entire Revenue Committee—prepared these figures over the noon hour and distributed them under the name of the Revenue Committee. And since we didn't make the figures up, we assume there will be no objection to them.

MR. KENNEY: I guess that is all right, as long as you don't sign my name to anything, Mrs. Netsch.

VICE-PRESIDENT SMITH: President Witwer?

PRESIDENT WITWER: Mr. President and Delegate Johnson, I've been out of the room and maybe someone has asked this question about section 9. It seems to me that the proposal may be even more restrictive on the power of the state to borrow, now that you have brought the authority bond issues under section 9, and its standards, than was the case heretofore.

My question is this: Has any thought been given to the possible use of a formula whereby some state borrowing, whether through its own institutions or authorities or directly, could occur within reasonable limits without the necessity of meeting either of these two tests, having in mind that there may be areas for needed borrowing that should be addressed promptly and which could not be addressed promptly if these tests were complied with?

MR. S. JOHNSON: Let us break this down into the kinds of borrowing we are talking about.

The true revenue bonds, if they have a sound financial underpinning, should have no difficulty in getting the necessary two-thirds majority. Those that do not—those that depend upon annual appropriations for the payment of "leases" with the public corporations—will be subjected to a more difficult test than they have had heretofore; but it is our idea that this more difficult test should be made, so that these can be put into the general obligation rather than the revenue bond theory arena, and thus earn for the taxpayers of the state of Illinois a lower interest rate. But it is—you're quite right, Mr. President—in that area it is a more restrictive provision than the one we now have.

PRESIDENT WITWER: Now your answer in justification for that increased degree of restriction is premised upon the assumption that it may be easy to get a vote of two-thirds of the members of each house of the General Assembly. Has the committee any figures to indicate how often in the history of the state a house of the General Assembly was controlled by the party which elected the governor or how many times in the history of the state both houses by a two-thirds margin were in that posture?

MR. S. JOHNSON: There was a large booklet circulated, not only on the state of Illinois, but on all states, of the effects of two-thirds majority voting. But we had some wonderful testimony on this very question from our own able Delegate Scott, and perhaps if he would like to comment on that. Would you? Pardon?

He doesn't have any figures, but he did tell us that on worthwhile projects, he did not think that the two-thirds majority would be an extraordinarily stiff requirement.

PRESIDENT WITWER: May I ask a related question? Is it possible that by imposing a two-thirds requirement, the cost to the state in terms of the needed dealing that would then have to go on between an incumbent governor of either party to secure the help from the other party in the legislature might be disproportionate to the advantages to be gained by this kind of a proposal?

MR. S. JOHNSON: I don't know. We didn't discuss that at any length, other than to discuss the fact that this would require some concessions to regions of the state, just as the present referendum requirement almost makes it mandatory that there be goodies in there for most parts of the state.

PRESIDENT WITWER: Two final questions, related. Have you examined the provisions of other states—or at least one state—which by constitution has written in a formula whereby the aggregate public debt which can be issued is limited by some relationship or ratio to the state's current income-raising capacities? I believe Hawaii is in such a posture.

MR. S. JOHNSON: Yes, indeed we did, sir. We considered the provisions which would have tied the borrowing of the state to a maximum figure of 10 percent of the total appropriations—of the average of the appropriations made in the three preceding years. The committee decided that we would not go along with that provision.

PRESIDENT WITWER: One final question and then I will subside, is it not a fact that the current budgets of the governors of Illinois under our present constitution have always been very heavily loaded at the expense of current revenue with items which in business, at least, would have been spread out over a number of years because of their capital nature?

MR. S. JOHNSON: Yes, sir, this is true. This is one of the difficulties of having stiff debt requirements; it forces you to finance out of current operations, capital expenditures.

PRESIDENT WITWER: Thank you.

VICE-PRESIDENT SMITH: Delegate Thompson?

MR. THOMPSON: Thank you. Colonel, I had a question on lines 23 through 26, the short term debt—the anticipation warrants as you described them. In the finance article we mandated a balanced *Budget*. Is that correct?

MR. S. JOHNSON: Yes.

MR. THOMPSON: Does this have any effect on that? My question would be, the General Assembly is looking for money now to bail out the CTA; could they borrow against next year's earnings?

MR. S. JOHNSON: Not unless it were categorized as an emergency or a failure of revenue.

MR. THOMPSON: So you could categorize that as an emergency or a failure of revenue and they could put out tax anticipation warrants for next year?

MR. S. JOHNSON: That would come under the following paragraph, not the paragraph you are speaking of. The paragraph you are speaking of is simply a provision which allows expenditures in anticipation of revenues to be collected within the current fiscal year.

MR. THOMPSON: Did your committee consider the plight of most school districts in the state that have—over a fairly short period of time—gotten, in effect, one year behind in their financing? Did you consider that this may, in fact, get somebody wanting to spend a little more money through emergency provisions—I think it's been done—which will, in a short period of time, put us one year behind and we'll be running on tax anticipation warrants?

MR. S. JOHNSON: This applies only to state debt, and I am not sure that tax anticipation warrants would be applied in this case.

What we are talking about in the last paragraph—and that is the one I think you have reference to here—is that should the budget be thrown out of kilter toward the end of the year because of the failure of income tax takes—the income tax take—to come up to what was estimated or because of some disaster which caused state expenditure, that in the following year the settlement of that must be an appropriation item.

But you are quite right; there could be a continuous rollover from year to year simply if the General Assembly wished to overestimate what their revenues were going to be. They could create short-term debt that way.

MR. THOMPSON: That would—in effect, this could not go for more than one year, this language?

MR. S. JOHNSON: That is correct.

MR. THOMPSON: I think I see what could happen. Thank you.

VICE-PRESIDENT SMITH: Thank you, Delegate Thompson. Delegate Connor?

MR. CONNOR: One of the questions I had to ask—I am even less clear now than I was. Are the last two paragraphs meant to be read together? Because—

MR. S. JOHNSON: No.

MR. CONNOR: Whatever paragraph, line 23 seems to me to go to—to create a state parallel to tax anticipation warrants.

MR. S. JOHNSON: That is correct.

MR. CONNOR: The chairman just shook his head and you said yes.

MR. S. JOHNSON: The first paragraph are warrants that are intended to be retired in the current fiscal year.

MR. CONNOR: Which are tax anticipation warrants.

MR. S. JOHNSON: The second paragraph is indebtedness that will be retired out of revenues the following year.

MR. CONNOR: But they are separate issues? They are separate considerations, that is?

MR. S. JOHNSON: They serve a separate purpose.

MR. CONNOR: All right. So then under this—was this paragraph, line 23 to 26, intended to authorize state level tax anticipation warrants? Is that using a well—

MR. S. JOHNSON: That would be one form, I suppose.

MR. CONNOR: The question then, the local governments all use or have available tax anticipation warrants which are liens against taxes only. They are not a debt of the local body; they are limited to 75 percent of the estimated taxes to be collected. This is done by statute, I assume; I don't think it's in the constitution.

Now, if the state is going to start issuing tax anticipation-warrant-type instruments, is it your intention from this language—the last sentence says, "such indebtedness shall be retired by the revenues which are anticipated and realized." In other words, this will not be a lien against the state either? It will just be a lien against the revenues anticipated and realized? Does the purchaser of this warrant have any lien against the state?

MR. S. JOHNSON: They could be. This merely indicates that the nature—or the length of time in which these were to be repaid.

MR. CONNOR: It isn't clear to me whether or not this becomes a state indebtedness, because if it is meant to be similar to tax anticipation warrants, they are not a lien on the taxing body.

MR. S. JOHNSON: I shouldn't think that there would be any bar to their being an indebtedness against the state.

MR. CONNOR: I am worried about the other way around, because if it isn't a state debt, then it doesn't take the considerations in lines 8 through 14.

MR. S. JOHNSON: We would consider that this is a good deal like a promissory note, unsecured.

MR. CONNOR: It is a full faith and credit of the state and not a lien on the taxes?

MR. S. JOHNSON: That's right.

MR. CONNOR: That is not what it—well, maybe that is what it says there, okay.

MR. S. JOHNSON: It may not be what it says, but this is what we meant.

MR. CONNOR: All right. Another question. You referred several times to the phrase "simple majority." Actually what is mentioned here is a constitutional majority.

MR. S. JOHNSON: Right.

MR. CONNOR: It's a majority of those elected and serving, not a simple majority. Am I correct?

MR. S. JOHNSON: Right.

MR. CONNOR: Another question. You mentioned local governments as exempt from this. Is a junior college a local government?

MR. S. JOHNSON: I don't know. Is it? Does anyone know that? Whether a junior college is a unit of local government?

MR. CONNOR: I think it is, but I wanted to be sure—Delegate Scott answers every other question.

VICE-PRESIDENT SMITH: Delegate Scott?

MR. SCOTT: A junior college district, in my definition, would be a local government.

MR. CONNOR: So its fund-raising powers are exempt from this provision?

MR. S. JOHNSON: Right.

MR. CONNOR: One of the things I am particularly interested in—and I absolutely agree with the committee that the Public Building Commission route has got very little to recommend it—I am not sure that you have covered it yet in this language. I know you intend to. The debt of the Public Building Authority is not a state debt; it is not so listed. It's an obligation. The state annually elects to sign or make at least appropriations which they may or may not do; there is no obligation to the state.

I can't put the language in I think belongs there. I am still not sure that an authority couldn't create an obligation which could be financed privately by annual allocations of the legislature and not be under this provision. Is your committee sure that you have got that hole plugged?

MR. S. JOHNSON: We did our best.

MR. KARNS: Dave, we did this knowing the difficulty of effectively accomplishing what we intended. The studies—at least, in my opinion—I think our committee differs—dealing with the efforts of states to prevent circumvention of debt requirements indicate that no state has been successful; and, of course, you point out one of the problems—when you start using the word "debt," that is the very thing the courts hold these things aren't.

MR. CONNOR: Yes, that's what I know.

MR. KARNS: But I don't believe we have done that, though. We say the state may issue or guarantee; these would, in a sense, be guaranteed.

MR. CONNOR: The Building Commission Bonds are not guaranteed by the state or by anybody.

MR. KARNS: You get down to the application of the section, 15 to 19, we don't use the word "debt." We were mindful of the problem. Maybe we've failed; every other state has.

MR. CONNOR: I just sure hope our record of the Convention is correct that we mean to prohibit that kind of borrowing. Is that a true statement?

MR. S. JOHNSON: I would like to read from a research report just briefly to illustrate the dilemma in trying to draft the language. Talking about the problem of the Illinois Building Authority,

> Unfortunately it is an economic fact that unless authority bonds are backed by the state's credit, they are far more expensive to float. This then is the crux of the dilemma. If the state backs the bonds, the bonds are subject to invalidation on constitutional grounds; but if the state does not back the bonds, the bonds bear higher interest rates.
>
> But to put it in a more optimistic way, the state would like to back the bonds sub rosa, and still escape the debt limit.
>
> In search of this ideal situation, obviously it is necessary to 'draft to the edge of the possible,' that is, to create an authority whose bonds are as fully backed by the state as possible but not publicly backed.

So this is the problem that we got into when we tried to draft language which would bring all of the quasi-public corporations of the state that are issuing evidence of indebtedness under this umbrella.

VICE-PRESIDENT SMITH: For the benefit of all who are interested in August adjournment, I would announce that we have six more questioners on our list. Delegate Hutmacher?

MR. HUTMACHER: This will be a short one. Delegate Johnson, you used the phrase in the third line, "or guarantee," and in the second line, "indebtedness." I presume that "guarantee" is meant to come under the term "indebtedness." Correct?

MR. S. JOHNSON: Right.

VICE-PRESIDENT SMITH: Delegate Stahl?

MR. STAHL: Picking up on Delegate Hutmacher's question about guaranteeing, Colonel, guarantee for whom? And my specific concern is with a broad answer to that question as well as the statement that is in lines 18 and 19 which says that this—"these provisions shall not apply to any local government," and my specific question is, does that mean that the state may not guarantee payment of indebtedness that might be issued by local governments?

MR. S. JOHNSON: We didn't intend that. The word "guarantee" is in there specifically to underwrite or to lend the full faith and credit of the state to local government indebtedness or to some of these other half-public, half-private corporations that we might get into in the future, such as COMSAT.

MR. STAHL: You didn't mean in any way, then, to limit who the state may guarantee indebtedness for?

MR. S. JOHNSON: No.

MR. STAHL: In line 2, you used the phrase, "for specific purposes." I am not sure I know exactly what the committee means by that language. Normally indebtedness, of course, is created to finance capital improvements. Do you envision that "for specific purposes might include other things?

MR. S. JOHNSON: We have in mind when we use the term, "specific purposes," that the improvement to be financed be described in such a way as it is identifiable and not just a general term such as Delegate Mathias had inquired about earlier.

MR. STAHL: The sixth line talks about the manner of repayment being described in the statute. Would you envision that under that the state could issue indebtedness which might have either balloon payments or an issue that might, for instance, call for only the payment of interest for the first ten years of the indebtedness?

MR. S. JOHNSON: It is possible.

MR. STAHL: In line 17, you talk about agencies of the state. Just for the record I want to get this straight; maybe we settled it with junior colleges. I have been informed that school districts are instrumentalities of the state; is that different from being an agency of the state and, therefore, you're not dealing with local school districts in this section?

MR. S. JOHNSON: The qualifier there is, "it shall not apply to any local government." And I don't really know whether an instrumentality of the state would be an agency of the state. If it was a unit of local government, it wouldn't apply. If it was an extension of the state, it would.

I would suggest that possibly if the state has the primary responsibility for funding the instrumentality, that it would probably fall under the provision.

MR. STAHL: Then it might possibly include school districts?

MR. S. JOHNSON: It might at some future date.

MR. STAHL: You mentioned in your remarks the inclusion of housing authority bonds. Do you mean local housing authority bonds or bonds of an agency such as the Illinois Housing Development Corporation?

MR. S. JOHNSON: Agencies such as the Illinois Housing Authority.

MR. STAHL: You do not mean local housing authorities?

MR. S. JOHNSON: No.

MR. STAHL: Lines 20 through 22 specifically enumerate certain kinds of revenue which may be used to repay debt. Is that to be read as all-inclusive or do you have in mind that there are some sources of revenue—for instance, federal grants—which might be excluded from this provision?

MR. S. JOHNSON: No, this is supposed to be all-inclusive.

MR. STAHL: Finally, Delegate Johnson, did you consider any limitation on the term of indebtedness, and if you did, why did you reject the idea of a limitation on term?

MR. S. JOHNSON: We discussed it. I don't think we got around to dealing with any specific language on it.

MR. STAHL: Thank you.

VICE-PRESIDENT SMITH: Thank you. Delegate Bottino?

MR. BOTTINO: Your mention of the August date causes me to pass.

VICE-PRESIDENT SMITH: Thank you. Delegate Kamin?

MR. KAMIN: I should probably do the same thing, but I will be brief.

With regard to the reference to the specific purposes for which the indebtedness may be incurred, is that meant to apply to the specific purpose for the specific issue or is it contemplated that the General Assembly could make a general grant of power to a specific agency for a specific purpose up to a certain amount, which amount could then be expended over a period of years?

MR. S. JOHNSON: No, it applies to specific purposes, the purpose for which the—or the improvement that is to be financed by the indebtedness must be described so it is a specifically identifiable improvement.

MR. KAMIN: One additional thing, because I think the language is unclear on that—is it then meant that the determination of the specificity of the purpose is subject to judicial review?

MR. S. JOHNSON: I would suppose so. It has—we ran into the same problem with the item veto, you recall, years ago. The "specific purposes" was put in there to assure that there was not just a general statement that would circumvent the idea of the item veto; and I would imagine that a case will, at some time in the future, come up questioning whether or not the purpose described in a debt issue is specific enough.

VICE-PRESIDENT SMITH: Thank you. Delegate Mathias?

MR. MATHIAS: Thank you. One very brief question: In lines 23 to 26 relating to the so called state tax anticipation warrants, you say the "General Assembly may authorize." In the last paragraph you say, "the state may issue."

Do you have in mind that there, too, the General Assembly would authorize the indebtedness to meet failures of revenue or that some state agency might do it without General Assembly authorization?

MR. S. JOHNSON: I am not sure just exactly why we have the difference there, other than in 23, the General Assembly is authorizing, but in 26 the state is issuing.

VICE-PRESIDENT SMITH: Delegate Gertz?

MR. GERTZ: Colonel, I seem to recall that in our finance article we wanted to assure fiscal responsibility upon the state and to provide for receipts and disbursements being in balance. Now turning to what you have provided in this article, would it mean that there couldn't be issuance or guarantee of bonds unless there were budgeting of it in line with the finance article? This wouldn't be outside of the range of the finance article, would it?

MR. S. JOHNSON: The issuance—I am not quite sure, but this doesn't go to the balanced budget idea. This is a separate act. The appropriation or the servicing of debt created as a result of this would be subject to the annual appropriations action and would fall within the balanced budget provisions.

MR. GERTZ: It would have to be provided in the governor's budget message?

MR. S. JOHNSON: Yes, the annual debt services.

MR. GERTZ: And it would be something outside of that?

MR. S. JOHNSON: The act authorizing the indebtedness would be something outside of that, but the servicing of the debt—once it has become a reality—would have to be in the governor's annual *Budget*, and I might add that this—hopefully—on the state would act as the same deterrent as it does with you and I. We try not to get so heavily in debt that our cash flow doesn't allow us to service it properly.

MR. GERTZ: But conceivably it may be something not anticipated in the governor's budget message or within the framework of the finance article.

MR. S. JOHNSON: No. Conceivably, I suppose it could, but as a practical matter, I don't see that it would. I would suppose that all of these acts would find their origin with the governor.

VICE-PRESIDENT SMITH: Thank you, Delegate Gertz. Before recognizing, I believe, our last questioner, I want to add that since recognizing members of the Convention family previously, we have been joined by Mrs. Witwer, and we are always glad to have Mrs. Witwer with us. (Applause) Delegate Friedrich?

MR. FRIEDRICH: Delegate Johnson, these last two paragraphs bother me a little bit. Do you think that there is any possibility that this might lead to a temptation on the part of a governor in the last two years of his first term, for example, to decide that an extra $50,000,000 might not help him over the hill without asking for new taxes, and the legislature, in their wisdom, half of them might decide that was a pretty good idea?

MR. S. JOHNSON: Well, I don't know about the specific example, but the general idea is a possibility.

MR. FRIEDRICH: Well, the other thing, of course, is the temptation to do as the local governments have. They just keep spending in advance and they might get this thing snowballing and renewing it from year after year till they get up to, say, $300,000,000, and you are spending $24,000,000 a year for interest and then if you never get it paid off, you are actual-