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Illinois Governor Stalls Bond Sales for Other Options to Pay Bills.

CHICAGO (Reuters) – Illinois is holding off on issuing $6 billion of bonds to help pay its hefty pile of overdue bills despite the state comptroller's public plea for the debt sale, the governor's office said on Monday.

Laurel Patrick, a spokeswoman for Governor Bruce Rauner, said Illinois Comptroller Susana Mendoza should first tap more than $600 million in various state accounts to pay bills. Authorization for the bonds and for using money parked in the accounts was included in the fiscal 2018 budget the Democratic-controlled legislature enacted in July over the Republican governor's vetoes.

"The governor's final decision on bonding requires us to first know how much of the bill backlog can be addressed through means other than bonding," Patrick said in a statement.

In a video and statement on Monday, Mendoza said Illinois' bill backlog is costing residents $2 million a day in late payment penalties that can reach as much as 12 percent a year. The bond authorization, which expires on Dec. 31, was aimed at having Rauner's budget office sell the 12-year bonds at a lower interest rate.

Illinois' unprecedented two-year budget impasse ballooned the unpaid bill pile to a record $15.4 billion in June. As of Friday, the backlog stood at $14.35 billion.

Abdon Pallasch, a spokesman for the Democratic comptroller, said inter-fund transfers were already underway.

"What we need right now is movement by the governor's office and a solid timetable for refinancing the debt so that our office can establish a comprehensive cash management plan for the remainder of fiscal year 2018," he said.

On Friday, Illinois bonds due in 12 years were yielding 4.13 percent, according to Municipal Market Data (MMD), a unit of Thomson Reuters.

Illinois has the lowest credit ratings and pays the highest borrowing costs among the 50 U.S. states. Since enacting its first budget in two years along with a $5 billion income tax hike, and subsequently evading junk bond ratings, the state's so-called credit spread over MMD's benchmark triple-A yield scale has narrowed.

Mendoza's office said the new borrowing will provide some relief to service providers and businesses that have been waiting months for payment.

"Over the past two years without a budget, they have had to exhaust their lines of credit, lay off employees and, in some cases, turn away Illinois citizens in need of services," statement from the comptroller said.

The Rauner administration launched a vendor support program in 2015 allowing certain businesses and service providers to sell their state receivables to private lenders who are then able to keep the late payment penalty.

REUTERS

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