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Illinois Governor Stalls Bond Sales, Seeks Other Options to Pay Bills.

CHICAGO — Illinois Governor Bruce Rauner said on Monday he was holding off issuance of up to \$6 billion of bonds to help pay down the state's more than \$14 billion in overdue bills despite the state comptroller's public plea for the debt sale.

The Republican governor called on Illinois Comptroller Susana Mendoza to tap more than \$600 million in various state accounts first to pay bills. Authorization for the general obligation 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 governor's vetoes. [nL1N1JX20R]

Rauner also said the state cannot go to market with the debt until he works with state lawmakers to identify an appropriation or plan to pay off the new bonds.

"This bonding in and of itself is not the answer," Rauner told reporters.

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.

The debt is covered under the Illinois GO Bond Act, which constitutes an irrevocable and continuing appropriation for principal and interest payments on all of the state's outstanding bonds, according to budget legislation.

Illinois' unprecedented two-year budget impasse ballooned the unpaid bill total 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 Monday, Illinois bonds due in 12 years were yielding 4.13 percent, according to Municipal Market Data, 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,” a statement from the comptroller said.

By REUTERS

AUG. 7, 2017, 7:00 P.M. E.D.T.

(Reporting By Karen Pierog; Editing by Diane Craft and Dan Grebler)

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