

Bond Case Briefs

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Illinois' Lousy Credit Rating: It's Contagious.

Illinois has a bond problem, and it's not just at the state level. While many Illinoisans know the state's financial troubles have led to the worst state bond rating in the country, what they may not know is that those problems are amplified on the local level. When the state sells municipal bonds, it has to pay investors more interest to take on increased risk—and the same thing happens at the local level, thanks to the state's problems. In the bond world, it's called a "contagion."

For counties, cities, schools, hospitals, airports and nonprofits across the state that sell municipal bonds to construct buildings or repair infrastructure, the Illinois contagion means they're all stuck paying investors more interest, too. They may not be able to afford to raise as much money, and will be burdened with higher debt payments in the future. One bond expert estimates that the "Illinois effect" results in the state's local issuers shouldering an additional billion dollars in annual debt payments.

The negative impact shows in Illinois issuers' average bond yield, which is higher than the national average. Even when their bond ratings are comparable to those of peers in other states, they pay a penalty.

Find out what the worst credit ratings in the country means for cities, suburbs and counties all over Illinois. [Read more here.](#)

CRAIN'S CHICAGO BUSINESS

By LYNNE MAREK

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