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Public Finance Watchdog Warns Illinois Taxpayers About Reports From Credit Rating Agencies.

A public finance watchdog said a recent credit rating outlook change for Illinois may be good for bondholders, but it's not necessarily good for taxpayers.

Fitch Ratings issued a report affirming Illinois' BBB rating, which is the worst of all states in the nation and nearing junk status. Fitch upgraded the state's outlook from "negative" to "stable."

Fitch analysts changed the state's outlook in part because of a windfall in tax revenue the state got unexpectedly in April "and the potential for a rating downgrade in the near-term has receded," according to the report.

Truth In Accounting Research Director Bill Bergman said taxpayers need to be cautious of such reports. Credit rating agencies are looking out for bondholders.

"And they want to get paid and that's why the credit rating agencies, if they see revenue increases, and those are tax increases, you almost have a conflict of interest between the bondholder and the taxpayer," he said.

Bergman said what's good for credit rating agencies, bondholders and the state's pensioners isn't always good for the taxpayers.

"Illinois historically has proven that any short-term fiscal stability has been abused with longer-term [policies], and in fact, we have more aggressive capital spending plans and other plans that are going to threaten us down the road," Bergman said.

Illinois lawmakers passed and Gov. J.B. Pritzker enacted a \$45 billion, six-year infrastructure plan to be paid for with higher state taxes on gas, gambling expansion that has yet to be implemented and other tax and fee increases.

The Fitch report noted the state's rating will "continue to reflect an ongoing pattern of weak operating performance."

"The state's elevated long-term liability position remains a key credit challenge," the report said.

Bergman said Fitch and other rating agencies, as are taxpayers, still waiting on a Comprehensive Annual Financial Report to be published by the Illinois comptroller from a budget year that ended more than a year ago.

"Among other things, the state's retiree healthcare benefit liability is going to show up for the first time on the balance sheet and that number could be massive and surprise us," Bergman said.

Recent reporting standards have changed to require the inclusion of other post-employment benefits, or OPEBs, which Illinois' retiree healthcare has been estimated by Truth In Accounting to

cost more than \$50 billion.

While Fitch and other rating agencies give Illinois' credit a near-junk rating, Truth In Accounting gives Illinois a letter grade of F, driven by the state's massive debt which includes \$136 billion in unfunded pension liability.

By Greg Bishop | The Center Square

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