

# **Bond Case Briefs**

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## **Illinois Bond Sale Drought Hits Schools, Mass Transit.**

ALGONQUIN, Ill. — District 300, Illinois' sixth-largest public school system, has been waiting a decade for state dollars to complete a construction and improvement project that began with voter approval of \$185 million of bonds in 2006.

The 21,000-student district in Chicago's far northwest suburbs sold the bonds and was able to build, expand and update schools, officials said.

But not all of the projects that the district promised to parents, teachers and students were completed, and hopes for state money any time soon have been dampened by Illinois' prolonged absence from the bond market and exacerbated by an ongoing state budget impasse.

District 300 had been counting on \$30 million to \$40 million in state construction grant money intended for roofs, asbestos abatement and heating and cooling systems for schools.

"There is part of us that feels we haven't fulfilled the obligation to the community 100 percent," said district Superintendent Fred Heid. "We were counting on leveraging those (state) dollars."

A budget stalemate between Illinois' new Republican governor and Democrats who control the legislature has led to gridlock and fed into last month's downgrades of the state's general obligation bond ratings to just three steps above the "junk" level by Fitch Ratings and Moody's Investors Service.

Illinois, once a top issuer of municipal bonds, has been absent from the debt market for a year and a half despite having more than \$4.8 billion of untapped bond authorization left from a \$31 billion, partially bond-funded "Illinois Jobs Now!" program the state enacted in 2009.

Money on hand from state bond sales shrank to \$552 million at the end of fiscal 2015 from \$2.68 billion at the end of fiscal 2014, according to Moody's.

Bruce Rauner, the state's first Republican governor in 12 years, had pledged to pour "billions" into infrastructure. He has signaled Illinois will be resuming debt sales despite the lack of a state budget five months into fiscal 2016.

### **BIG SCHOOL CONSTRUCTION GRANT BACKLOG**

In 2006, District 300 passed a "fairly contentious" referendum, and wants to avoid going back to voters for more money, Heid said.

He added that going back to voters could impede the district's ability to finance future growth in students.

District 300 is one of 52 Illinois school systems on a 2004 list for grants funded through state bond sales. Lists maintained by the Illinois State Board of Education show 228 additional and unfulfilled grant requests made by schools between 2005 and 2015.

## INFRASTRUCTURE PROJECTS STALLED

Metra, the Chicago area's commuter train operator, said about \$400 million of projects, including improvements to 16 stations, two rail yards and a major bridge replacement program, are on hold due to the lack of state bond money.

The transit agency, which is in the midst of a multiyear fare increase, said fares may have to rise even higher than expected in 2017 if it does not obtain proceeds from state bond sales next year.

"If you don't take care of things in the beginning stage, they tend to need more comprehensive work done on them," Metra Executive Director Donald Orseno said.

Illinois' finances are sagging under a \$105 billion unfunded pension liability and a chronic budget deficit that have left it with the lowest credit ratings and highest borrowing costs among the 50 states.

While the budget battle will delay a pension contribution, state bond payments are continuing.

A package of fees and taxes meant to pay off the "Jobs Now" bonds has fallen short of its revenue target. This is largely due to underperformance of a video gambling tax as some communities, most notably Chicago, blocked the gaming machines.

The package is expected to generate \$830 million this fiscal year, short of legislative projections from 2009 that it would raise \$943 million to nearly \$1.2 billion annually, according to the Chicago-based Civic Federation.

By REUTERS

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(Editing by Daniel Bases and Matthew Lewis)