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Illinois Agency Readies Bond Issue for Unpaid State Vendors.

CHICAGO — The Illinois Finance Authority took steps on Thursday to speed funds to local emergency call centers and providers of essential state services that are in dire need of cash due to the state's ongoing budget impasse.

A stalemate between Republican Governor Bruce Rauner and Democrats who control the legislature has left Illinois without a budget for the fiscal year that began on July 1. While various court orders and ongoing appropriations have kept money flowing to some services, bond payments and worker salaries, other items have not been funded, prompting Rauner's office to enlist the IFA's assistance.

The IFA board agreed to move forward with a plan to pay vendors for essential state goods and services through the authority's issuance of up to \$115 million of bonds backed by Illinois' moral obligation pledge. The IFA would pay off the bonds through a state appropriation based on the amount of money Illinois owes the vendors.

IFA Executive Director Chris Meister said critical services would include snow plow repair companies and food suppliers for veterans' facilities and prisons.

In the case of a debt service shortfall on the IFA bonds, the moral obligation pledge requires the governor to request an appropriation from the legislature, which is not legally obligated to act.

IFA Chairman R. Robert Funderburg noted the irony in the risk that money for the bonds might not be appropriated.

"An agency of the state of Illinois is discussing the relative risk of doing business with the state of Illinois," he said at a board meeting.

Meister said that once structured, the bond deal would need final approval from the IFA board at or before its December meeting. The board approved Citigroup Capital Markets as the underwriter for the bonds, which could be sold in the U.S. municipal market or structured as a direct purchase or private placement.

Meanwhile, the IFA will tap in to its \$12 million of available cash to immediately loan at no interest up to \$3 million to local 911 call centers relying on a state pass through of revenue from a phone surcharge that has been held up due to the lack of an appropriation, according to Meister. Another allotment of up to \$3 million would be made available to state vendors "at the end of their rope" in return for their state receivables and a 1 percent per month late payment penalty that kicks in after 90 days, he added.

By REUTERS

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