

# Bond Case Briefs

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## What Ending Illinois's Record Budget Impasse Means for Chicago.

- **City won pension fix, averting looming insolvency for funds**
- **Fate of cash-strapped, junk-rated school system is uncertain**

Illinois enacted a full-year budget for the first time in more than two years, ending a record-long stalemate that cast financial uncertainty across the state. Here's three big takeaways for the city of Chicago, which has been contending with its own fiscal struggles:

- **Pensions:** Chicago won state approval to overhaul its municipal employee and laborer retirement funds, which had been on track to run out of money by 2025 and 2027, respectively. The changes allow Chicago to boost contributions to those pensions and have new city employees pay more into their retirement plans, part of Mayor Rahm Emanuel's efforts to put all four of the city's pensions on a path to solvency. The measure became law despite Governor Bruce Rauner's veto.
- **Borrowing:** State budget includes provisions that allow a home-rule municipality like Chicago to sell debt secured by state funds they receive. By providing greater protection against default, that "should be favorably received by investors and is likely to lower the borrowing cost to the extent that" the city utilizes it, said Richard Ciccarone, the Chicago-based president of Merritt Research Services LLC, which analyzes municipal finances. This could especially come in handy for the city, given that it is rated below investment grade by Moody's Investors Service and pays a steep premium to sell traditional general-obligation debt.
- **Schools:** Chicago public schools, along with districts statewide, are still in limbo. The enacted state budget dictates that general aid for schools now be doled out through an evidence-based funding model. While the Democrat-led legislature passed legislation that rewrites the formula to do that, its fate is uncertain because Rauner has threatened to veto it, calling it a bailout for the city. Emanuel said Monday that enacting that law is his "number one effort."

### **Bloomberg Politics**

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