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## Even Illinois's CFO Doesn't Know How Many Bills Are Unpaid.

- **Bill would require agencies to report unpaid bills monthly**
- **Measure ‘favorable from a credit perspective,’ investor says**

How big is Illinois’s pile of unpaid bills? Even the state’s chief fiscal officer doesn’t know for sure.

The state sold \$4.5 billion of bonds on Wednesday to help pay down the estimated \$16.6 billion it owes to contractors, health care providers and others who waited to get paid during Illinois’s record-long fight over the budget. But Comptroller Susana Mendoza, a Democrat, says her office doesn’t know the size of that backlog for sure, and she wants that to change.

Under current law, state agencies only have to report to the comptroller once a year — on Oct. 1 — the amount of unpaid bills they had by the end of June, making the information already outdated by the time it’s submitted. According to the comptroller’s website, the backlog reached \$16.6 billion as of Oct. 24, including an estimated \$6.1 billion of unpaid bills with state agencies.

To get a better picture of how deeply Illinois is in debt, Mendoza is urging lawmakers to override Republican Governor Bruce Rauner’s veto of a measure that will require state agencies to report bills on a monthly basis and include how old the bills are, whether funds have been appropriated to pay those bills and how much interest is owed. The Illinois House of Representatives voted to override the veto on Wednesday. The Senate must do the same for the bill to become law.

“This is a first step in hopefully even giving the markets greater confidence that Illinois is moving in the right direction when it comes to full transparency on our finances,” Mendoza said in a telephone interview.

The legislation is “definitely favorable from a credit perspective,” said Eric Friedland, Lord Abbett’s director of municipal research in Jersey City, New Jersey. He noted that the amount of unpaid bills isn’t a surprise to investors who monitor the state’s finances, but requiring monthly reporting may spur Illinois leaders to reduce the number of unpaid bills.

“In my opinion, if they have to report every month in a transparent way, then that will hopefully cause this practice to change for the better,” said Friedland, whose firm manages about \$20 billion of municipal debt, including some Illinois bonds.

In his veto message on Aug. 18, Rauner applauded the push for transparency but criticized Mendoza for trying to “micromanage” agencies, adding that they don’t have the technology to meet the requirements in the bill.

Mendoza disagrees, saying that agencies are equipped to put those numbers together. The bill would help Mendoza keep track of how much interest the state is paying: She estimates that Illinois is already on the hook for \$900 million in late-payment penalties.

## **Bloomberg Markets**

By Elizabeth Campbell

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