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Near-Junk Illinois to Sell More Bonds - Will Investors Buy In?

Illinois will add to its more than \$30 billion debt load with a bond sale on Wednesday, testing yield-hungry investors' desire to lend to the state as it grapples with continuing political and financial issues.

Illinois is the worst-rated state in the municipal market. The Prairie State's credit quality has crumbled in recent years as expenses have far outpaced revenues.

Since the 2008 financial crisis, fiscal woes have also afflicted some other states and cities, which, like Illinois, face potentially debilitating pension liabilities. Investors have given most others a pass, though, because states are still generally thought of as safe credits.

That's because of their ability to raise revenues through taxes and slash expenses, as well as their inability to file for bankruptcy. No state has defaulted on its general obligation bonds since Arkansas in 1933.

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