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Illinois Especially Vulnerable to Financial Fallout from Coronavirus, Public Finance Expert Says.

Officials say it's too soon to say how cancellations, overtime costs and other issues brought on by the coronavirus outbreak will affect Illinois' ever-precarious finances, but the state remains particularly vulnerable to volatility brought on by events like a pandemic, said Eric Kim, a senior director of public finance with Fitch Ratings.

"We do absolutely anticipate that Illinois and many other states, likely all states, will be adjusting their revenue forecasts," Kim said. "There's going to be a lot of adjustment, a lot of changes, when it comes to what revenues are actually anticipated to be and what states are going to budget around."

Income tax payments flowing into the state now through April cover last year, so it will be some time before the impact of the COVID-19 crisis is known. One of the early indications will be sales tax collections, but those also lag a bit.

"We only have complete sales tax data from January, as February returns are not due for a couple more weeks," Department of Revenue spokesman Sam Salustro said in an email.

Revenue from Illinois' just-launched sports wagering is likely to take a hit with the NCAA men's basketball tournament and other major sporting events canceled. The new gambling outlet is one of the ways the state is funding a \$45 billion capital construction plan that the Illinois General Assembly approved last year.

"We took a very conservative approach when developing revenue estimates for this year regarding sports wagering, assuming only \$10 million in tax revenues," said Jordan Abudayyeh, a spokeswoman for Gov. J.B. Pritzker. "Multiple revenue sources are supporting the capital plan, and it is not reliant on any one source."

Illinois has a "fairly well-diversified economy," so there's little concern that tourism is "going to dry up, and that in and of itself is going to be some sort of drastic, long-term effect on the state's economy," Kim said.

"That said, we don't know what the depth and breadth of the coronavirus will be in terms of its effects on the overall economy. Obviously, if there's a more widespread recession, that's a concern for all states," he said. "And again, Illinois is less well-positioned."

State and local government spending on prevention efforts and in response to coronavirus spread will also affect Illinois' overall financial picture. Such spending is expected to continue to escalate, but federal aid could offset some of that — although how much the state will get is yet another unknown.

House Democratic Leader Greg Harris of Chicago said sales tax, hotel tax and gaming revenues are all areas to watch closely as the coronavirus continues to spread, and as lawmakers negotiate a spending plan for the next budget year that begins July 1.

"The governor is saying the state's going to do what it takes to protect folks, so yeah, there may be added expense — there could be additional costs in the Medicaid program or for emergency supplies that kind of thing," said Harris, who chairs the House Appropriations-Human Services Committee. "So, I think we're going to be working on it, monitoring it, week by week."

State Sen. Andy Manar, a Democrat from downstate Bunker Hill who chairs one of the Senate's two appropriations committees, said Illinois legislators don't have a clear idea yet how the outbreak will affect the state's current budget.

"I think the larger impact will be on next fiscal year's budget, and certainly there will be an impact," said Manar, who said a significant hit to the state's sales tax revenue is likely.

"Clearly, one of the largest potential places where the impact of this economic downturn will be felt is in the state's pension funds," Manar said.

Chicago Democrat Sen. Heather Steans, who chairs the other Senate appropriations committee, said "we're going to want to keep things basically functioning and operational, you know. And we're not going to want to do things that overly impact school districts, for example."

Steans said revenue from sales taxes, hotel taxes, sports gambling will all potentially be reduced by the pandemic. On the other hand, she said Illinois "may have increases in capital gains, if people are selling things — so there may be some offset as well," she said.

CHICAGO TRIBUNE

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MAR 13, 2020 | 9:30 PM

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