



Illinois must pay its bills

Approve a debt-restructuring plan. Allow the state to pay long-neglected bills to providers of vital services and return Illinois to more sound fiscal footing.

New state revenues from a temporary income tax increase are an essential step on the path toward restoring Illinois to fiscal stability. Now we must be strategic in the use of those dollars. **One wise use would allow the state to use some of the new resources to restructure its debt, paying overdue bills that threaten the well-being of kids and families. This can be done without incurring new debt, because restructuring would cover existing obligations to cash-strapped service providers.** Most such providers are small, private, nonprofit businesses; unpaid bills fuel their instability, threatening Illinois' fragile efforts at economic recovery.

What this approach would do: The state could issue debt-restructuring bonds during FYs 2011 and 2012. These bonds would enable the state to more quickly pay a backlog of bills that – according to the Governor's office – currently stands at \$6 billion.

- Without debt restructuring, our new revenue will enable the state to reduce those obligations by about \$2 billion by the end of FY 2011 – still leaving a \$4 billion backlog.
- With debt restructuring, the state could pay-down the remaining backlog. The bonds' annual interest rate would be much lower than the monthly, 1 or 2 percent interest penalty that the state must pay to vendors who are owed overdue payments.

Background: Local schools, public universities, community-based agencies and other providers of vital services are owed billions of dollars by the state. Some of the bills stretch back six months. Without prompt payment, many entities have been forced to curtail services, lay-off staff or even close, with harmful effects on kids and families in need. According to an Urban Institute survey of nonprofit human-service providers, Illinois' late-payment problems were the nation's worst in 2009 – and the problems have grown.

Such neglect has fueled a downward spiral in Illinois' credit rating. That makes it harder and more expensive to borrow money to cover obligations. While heartened by Illinois' commitment of new revenues to fixing its fiscal problems, Moody's Investor Services nonetheless recently called our state outlook "negative, primarily reflecting uncertainty surrounding plans to address the state's large balance of accounts payable."

Debt restructuring is urgently needed as part of a balanced and responsible solution to Illinois' fiscal crisis.

For more information, visit www.voices4kids.org or contact:

Larry Joseph, 312-516-5556 or ljoseph@voices4kids.org

Sean Noble, 312-516-5566 or snoble@voices4kids.org

Kelley Talbot, 312-516-5572 or ktalbot@voices4kids.org



February 21, 2011