



Illinois must pay its bills

Approve Senate Bill 3: debt-restructuring bonds

Pay long-neglected bills to providers of vital services, and return our state 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. **SB 3 represents one wise use, allowing the state to restructure its debt, paying overdue bills that threaten the well-being of kids and families. And this can be done without incurring new debt, because restructuring would cover existing obligations to cash-strapped service providers.**

What SB 3 would do: This legislation would allow the state to issue debt-restructuring bonds during FY 2011 and FY 2012. The 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.”

SB 3 is urgently needed as part of a balanced and responsible solution to Illinois’ fiscal crisis.

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