



OFFICE OF THE COMPTROLLER  
STATE OF ILLINOIS

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**CONTACT:**

Abdon.Pallasch@illinoiscomptroller.gov  
312-835-3317

## **THE COST OF INACTION: \$120 MILLION & COUNTING**

### *Comptroller Mendoza urges Governor to refinance state debt*

CHICAGO – Two months ago today, the General Assembly authorized Governor Bruce Rauner to refinance a portion of Illinois' \$15.4 billion bill backlog.

Two months later, his inaction on this common sense budget mandate has cost taxpayers at least \$120 million. Currently, the state is paying up to 12 percent interest on a large portion of its bill backlog at a cost of \$2 million a day in late payment interest penalties.

This simple, bipartisan refinancing provision is no different than when a homeowner swaps out a higher mortgage rate for a lower one, but we have yet to see any movement on it from the Governor's Office, Comptroller Susana Mendoza said Wednesday.

"Over 12 years, this refinancing plan will save taxpayers between \$6 billion and \$8 billion, or between \$550 million and \$650 million annually. Right now, we're paying \$2 million dollars a day for the Governor's inaction," she said. "This is money that will never go toward early education, to our public universities, toward job creation, or to our struggling social service providers. Stalling on the bonds is fiscally irresponsible and taxpayers should be outraged."

By law, the refinancing must be applied to the state's bill backlog. It will give relief to not only taxpayers, but also thousands of service providers and businesses awaiting payment from the state. Over the past two years without a budget, many entities owed money by the state have had to exhaust their lines of credit, lay off employees, turn away Illinois citizens in need of services and, in some cases, close for good.

Last week, the Comptroller visited the Orthopaedic Institute of Southern Illinois in part because they are owed about \$6 million from the Group Health Insurance program that covers public employees, including university employees.

The state's backlog of bills is about \$15 billion. Of that, about \$5 billion are bills from group health. Those bills, along with other medical bills, incur some of the highest late interest penalties.



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"Three days' worth of late payment interest penalties could pay off the Group Health Insurance bills owed to the Orthopaedic Institute of Southern Illinois," Comptroller Mendoza said. "Until Governor Rauner moves to refinance this debt, Illinois is burning money that could be used to pay businesses and providers what they are owed and inject stability into the Illinois economy."

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***BONDING AUTHORITY:*** *The General Obligation Bond Act states that the issuance and sale of bonds is an economical and efficient method of financing the long-term capital needs of the State. (30 ILCS 330/2). The FY 2018 budget recognized the challenges the State faces in paying vouchers incurred by the State prior to July 1, 2017. For this reason, the budget authorized the sale of \$6 billion in income tax proceed bonds for the purpose of paying these vouchers and other unpaid obligations of the State. Bonds may be issued and sold as directed by the Governor, upon recommendation of the Governor's Office of Management and Budget in order to fulfill these unpaid obligations. (P.A. 100-23). The Governor's authority to issue these bonds expires on December 31, 2017.*