



OFFICE OF THE COMPTROLLER
STATE OF ILLINOIS

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**COMPTROLLER MENDOZA USES BOND PROCEEDS TO BEGIN
PAYING DOWN BACKLOG OF UNPAID BILLS**

SPRINGFIELD —Illinois Comptroller Susana A. Mendoza moved quickly today to use proceeds from Illinois' recent General Obligation bond sale to begin paying down a major portion of the state's current \$16.7 billion backlog and, critically, stop the clock on a mountain of interest payments accruing on Illinois' late bills, some dating back to 2015.

Comptroller Mendoza said she will initially prioritize those bills eligible for federal matching funds to maximize the revenues available from the \$6 billion bond sale. The action will significantly reduce the state's record bill backlog and, importantly, end the accrual of interest penalties as high as 12% annually on many of the state's oldest obligations.

The state owes an estimated \$900 million in late payment interest penalties on its bill backlog. The bond sale effectively refinances future interest costs on the state's existing debt, saving taxpayers billions of dollars over the next decade.

"As the state's chief fiscal and accountability officer, I'm laser focused on maximizing this opportunity for taxpayers," Comptroller Mendoza said. "These payments will effectively stop the bleeding of late payment interest penalties on this portion of the backlog. There is still a long, hard road ahead of us, but this is a vital first step toward smart planning for FY2019 and beyond."

In total, the Office of the Comptroller expects to receive about \$6.48 billion in bond proceeds, including a \$480 million premium from the sale on top of the \$6 billion initially offered, an indicator of the strong market demand for the bonds.

About \$2.5 billion will be spent immediately on unpaid medical bills. Close to \$4 billion will be used to pay down unpaid state health insurance claims owed to medical providers in the coming days. Over the next several weeks, an additional \$2 billion in federal matching funds will be applied to state medical bills.

"Through the use of federal matching funds, we expect to turn a \$6.48 billion bond offering into a nearly \$9 billion investment which initially targets our state's struggling healthcare system and medical



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providers, many of whom have had to turn to third parties for loans just to stay afloat," Comptroller Mendoza said.

"My baby boy needs an oxygen machine to stay alive, but without a budget the state didn't pay its medical bills and the company sent sheriff's deputies to my house to repossess it," said Kenea Williams of Centralia. "Nobody should have to go through scary, even life-threatening experiences like this. I'm hopeful that by state government making real progress to pay its bills, working families like mine can count on our insurance to cover the medical care we need."

Immediately after legislators overrode Governor Bruce Rauner's veto of the budget, Comptroller Mendoza urged the Governor to act on the bond authorization. Instead, the Governor refused to act for two months as Comptroller Mendoza, Treasurer Mike Frerichs, and editorial boards around the state urged him to act as late payment interest penalties of \$2 million a day piled up. Two months and an estimated \$120 million later in additional late payment interest penalties, the Governor finally relented.

From the day she took office Dec. 5, Comptroller Mendoza prioritized spending for the state's most vulnerable. Hospice care had not been paid since July 2016, and payments to nursing homes had slowed to a trickle. The state's social service agencies have greatly benefitted from Comptroller Mendoza's prioritizing payments for services to the state's most vulnerable, and that policy will continue.

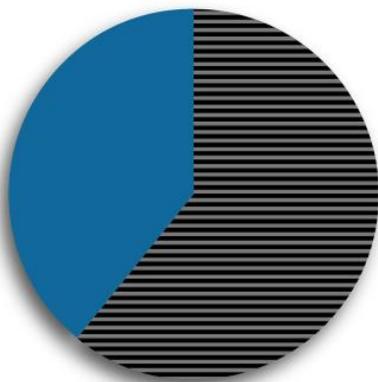
The Comptroller's Office will continue to provide transparency in state spending and will keep taxpayers abreast of where their money is going. The activities related to the receipt of the bond proceeds will be tracked on a daily basis utilizing the Backlog Voucher Report on the Comptroller's website at illinoiscomptroller.gov in the coming days.



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Bond Proceeds and Federal Matching Funds Allocation*

Maximizing resources for healthcare to millions of Illinoisans



- Group Health Insurance
\$3.9 Billion (65%)
- Medicaid and other Federal reimbursements
\$2.5 Billion (40%)

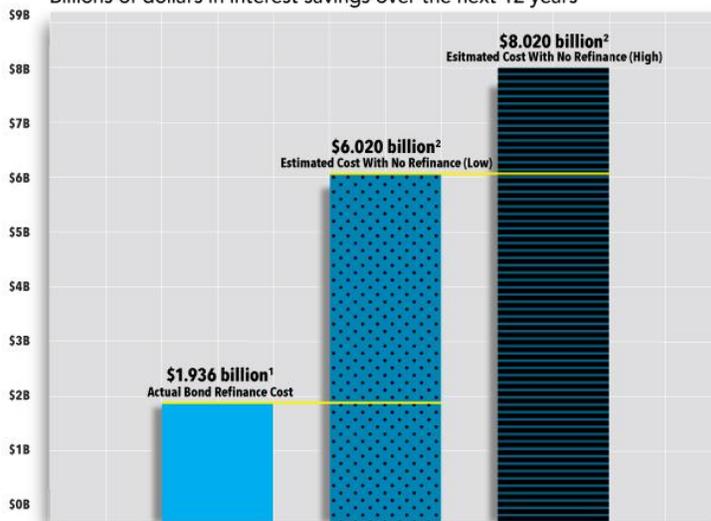
* Includes \$482 million premium on bond sale
Bond issuance per PA, 100-0023



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Bond Sale Provides Long-Term Taxpayer Relief

Billions of dollars in interest savings over the next 12 years



¹ Per GOMB Final Sale (11/8/17)
² Per Commission on Government Forecasting and Accountability long-term debt estimates, based on variable interest rates (8/22/17)



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