



STATE OF ILLINOIS
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Comptroller Mendoza calls on the Governor and Legislature to Prevent Further Credit Downgrades by Reaching a Budget Agreement

Says taxpayers shouldn't have to pay the price of inaction

CHICAGO – Illinois Comptroller Susana Mendoza called for immediate action from Governor Rauner and the Legislature to end the state's nearly two-year long budget impasse following a second warning this month from a major credit rating agency that the state could face further bond rating downgrades.

"I don't know how many direct warnings are needed before the Governor and the Legislature finalize a budget that provides the stability needed to get the state's finances back on track and reverse the damage that has been caused," said Mendoza, the state's chief fiscal officer. "In the last two months, the state has suffered another credit downgrade, and the backlog of unpaid bills surpassed \$13 billion for the first time. Further inaction is going to bring intense pain to residents and long-term damage to the state."

Moody's Investors Services issued a warning Thursday that the state's credit rating is "vulnerable to further downgrades" as negotiations around the Senate's 'grand bargain' budget plan have broken down. Moody's warned that if a deal isn't reached by the end of the spring legislative session, the state's "credit quality will keep deteriorating."

"Illinois is at a critical juncture, and its leaders must choose between further credit deterioration and drift without compromise, or the potential for stabilization. With a budget consensus, Illinois could quickly secure its financial position," said Ted Hampton, a Moody's vice president and senior credit officer.

Earlier this month, following the collapse of the State Senate's "grand bargain" after Governor Rauner pulled Republican votes off the package, S&P Global Ratings pointed out that the Senate's plan could "help stabilize the state's fiscal trajectory." S&P also warned that the failure to enact a comprehensive budget for a third straight fiscal year could lead to another downgrade in the state's credit rating.

The S&P and Moody's reports follow a February 1 ratings downgrade issued to Illinois' general obligation bonds by Fitch Ratings, the third of the three major credit ratings agencies.



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Illinois' general obligation bonds are now rated just two notches above "junk" status by all three agencies, due in large part to the failure to pass a comprehensive state budget since May 2014. In less than two years, Illinois has suffered six credit downgrades. This downward spiral of the state's credit ratings leaves taxpayers saddled with increased borrowing costs.

"I give credit to a number of state legislators who have worked in good faith and in a bipartisan manner to bring this budget impasse to an end," Mendoza said. "But their efforts were crushed by Governor Rauner, who seems to be willing to do whatever it takes to prevent any budget resolution from advancing. With each day that he refuses to help forge a compromise, Illinois' financial situation gets worse."

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