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Treasurer Frerichs and Comptroller Mendoza Launch New Bill Backlog Program *Initial Investments of \$700 Million to Benefit Taxpayers \$70 Million Annually*

CHICAGO – A new investment vehicle allows the state treasurer's office to provide money to the state comptroller's office so it can chip away at the \$7.7 billion bill backlog exacerbated during Illinois' budget stalemate while increasing returns to the state's own investment portfolio.

The Investing in State Receivables Program for the first time allows the state treasurer's office to invest in these past-due bills after striking an agreement with the state comptroller's office that uses a market-based interest rate. Doing so allows the state to avoid paying interest rates as high as 12 percent to Wall Street financiers while allowing the state treasurer to invest a portion of the state's \$14 billion portfolio in the backlog of receivables and charge approximately 3.5 percent.

This new authority was a key component of legislative initiatives sought by state treasurer Michael Frerichs and state comptroller Susana Mendoza. Last month, Moody's Investor Service noted that Public Act 100-1107 "will help the state to curtail further late penalty accruals," but "will not fully eliminate the state's bill backlog."

"We cannot achieve change with the tired strategies of the past," Frerichs said. "Investing in state receivables charts a new way to infuse money into organizations desperate to stay afloat while creating significant savings for taxpayers, generating incremental investment returns, and helping the most vulnerable among us."

"This innovative approach will save Illinois taxpayers millions of dollars the state would otherwise be wasting on 12%-a-year late payment interest penalties," Comptroller Mendoza said. "As I tell investors, there is no better investment than the state of Illinois. Some of these bills we are paying are two years old. We only found out about them when the legislature passed my Debt Transparency Act over the Governor's veto. We learned that medical organizations that supply doctors and nurses to state prisons had not been paid in nearly two years. This money will provide relief to those state vendors, as well as paying old health care bills for some state employees."

The first round of investments began September 28, 2018 and ends in late October 2018. It should provide \$700 million in funding to pay state vendors.

An intergovernmental agreement will state the terms and conditions of the investment authority. The investment details will be available on the treasurer's website at www.illinoistreasurer.gov.

The enacting legislation, Senate Bill 2858, authorizes up to \$2 billion overall to be invested by the state treasurer at any given time. The investment authority could net state taxpayers a benefit of up to \$200 million annually. The interest rate charged is a variable market rate tied to the London Interbank Offered Rate or the Federal Funds Rate. These interest rates typically are higher than the returns on other investments the Treasurer's Office is authorized to make.

Senate Bill 2858 passed the Senate 49-1 and the House 115-0. Chief sponsors were Democrats Sen. Heather Steans of Lake Forest and Representative Greg Harris of Chicago. During floor debate Rep. David Harris, a Republican from Arlington Heights, said SB 2858 is "one of the most creative and innovate programs to save money that has ever come before the House."

Gov. Rauner signed the bill into law in August.

About the Illinois Treasurer

The Illinois Treasurer is the state's chief investment officer and Frerichs is a Certified Public Finance Officer. He protects consumers by encouraging savings plans for college or trade school, increasing financial education among all ages, and removing barriers to a secure retirement. As the state's Chief Investment Officer, he actively manages approximately \$28 billion. The portfolio includes \$12 billion in state funds, \$10 billion in college savings plans and \$5.5 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns \$28 to the state for every \$1 spent in operations. The Treasurer's Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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