



State Senate's borrowing plan to pay backlogged bills comes with billion dollar price tag

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Illinois taxpayers would be hit with two rounds of interest rates to pay part of the state's backlogged bills if a measure being considered by the state Senate passes.

One part of the package meant to end the budget impasse is a measure to issue \$7 billion in bonds to pay off the state's backlog. The state is already paying interest on its \$10.7 billion in unpaid bills to vendors, and this plan would require the state to pay another set of interest on the money it's borrowing to pay those bills.

The interest rate to pay back the bonds would be nearly 14.3 percent each year for seven years, totaling around a billion dollars in interest alone.

Democratic state Sen. Donne Trotter, D-Chicago, said there's already a prompt payment interest rate between 9 and 12 percent for the billions of dollars of backlogged bills.

Cato Institute Director of Tax Policy Chris Edwards said the idea is a bad one.

"That is really a no-win situation and just like an individual borrowing excessively on their credit cards, the more you borrow, the more you get in trouble," he said.

Edwards said Illinois' already poor credit rating makes things worse and equated the deal to a homeowner with horrible credit getting a high-interest credit card to pay the mortgage.

"It's going to cost a lot for them to continuing to refinance and borrow more on top of borrowing it's the same is true for a state like Illinois that's already deeply troubled financially," he said.

Edwards said government shouldn't go into debt to pay off other debt but instead the state should look at reforming major causes of this debt, such as its public employee pension system.