

FY 2019 Investing to Reduce Illinois' Backlog

Public Act 100-1107, which became effective August 27, 2018, allows the State Treasurer to invest up to \$2 billion in debt issued by the State Comptroller. The Treasurer could refinance backlogged bill debt during times of portfolio liquidity to help during the State's low revenue months. The State would then pay a lower interest rate than the normal 9%-12% on the amount refinanced, while the Treasurer gets interest off of the investment through intergovernmental agreements made for a market-based rate. When the State is projected to have better cash flow, such as during the month of April during tax payments, the State pays off the Treasurer's investment.

The Treasurer's Office utilized this investment tool in September and October of 2018 with principal and interest paid back from December 2018 through April 2019. The actual amount used was \$700 million, but during the six month period of one of the investments, one of the Funds, the AML Reclamation Set Aside Fund, needed the \$50 million repaid. This occurred in March and \$50 million was used from the Unclaimed Property Trust Fund for the remainder of the time period and repaid in April.

Below are the funds used and their repayment of principal and interest. The Office of the Treasurer reports that the General Revenue Fund and the Health Insurance Reserve Fund saved \$25.6 million dollars from this first round of investment. Interest rates on the investments ranged from 3.59% to 3.78%.

FY 2019 Treasurer's Investment Borrowing

| Fund Number | Fund Name | Sep | Oct | March | YTD Total Borrowed | Dec Repayment | March Repayment | April Repayment | Total Principal Paid Back | Total Interest Paid Back |
|-------------|--|----------------------|----------------------|---------------------|----------------------|---------------------|----------------------|----------------------|---------------------------|--------------------------|
| 0011 | Road Fund | | \$100,000,000 | | \$100,000,000 | | | \$101,810,000 | \$100,000,000 | \$1,810,000 |
| 0019 | Grade Crossing Protection | | \$50,000,000 | | \$50,000,000 | | | \$50,932,500 | \$50,000,000 | \$932,500 |
| 0142 | Community Developmental Disability Services Medicaid Trust | | \$15,000,000 | | \$15,000,000 | | | \$15,283,500 | \$15,000,000 | \$283,500 |
| 0257 | AML Reclamation Set Aside | | \$50,000,000 | | \$50,000,000 | | \$50,657,961 | | \$50,000,000 | \$657,961 |
| 0278 | Income Tax Refund Fund | \$200,000,000 | | | \$200,000,000 | | \$203,590,000 | | \$200,000,000 | \$3,590,000 |
| 0482 | Unclaimed Property Trust | | | \$50,000,000 | \$50,000,000 | | | \$50,274,569 | \$50,000,000 | \$274,569 |
| 0663 | Federal Student Loan | | \$15,000,000 | | \$15,000,000 | \$15,038,163 | | | \$15,000,000 | \$38,163 |
| 0902 | State Construction Account | | \$270,000,000 | | \$270,000,000 | | | \$274,983,000 | \$270,000,000 | \$4,983,000 |
| | TOTAL | \$200,000,000 | \$500,000,000 | \$50,000,000 | \$750,000,000 | \$15,038,163 | \$254,247,961 | \$493,283,569 | \$750,000,000 | \$12,569,693 |

* \$50 million in March borrowed from Unclaimed Property Trust was not additional, just replacing Fund 257 because it needed to be paid back.