



OFFICE OF ILLINOIS STATE TREASURER

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Treasurer Frerichs' Bill to Pay Down Bill Backlog and Save Up to \$100 Million Each Year Becomes Law *SB 2858 Common Sense Approach to Saving Taxpayer Money*

SPRINGFIELD – Governor Rauner today signed a bipartisan measure that will pay overdue bills, earn a higher interest rate for state investments and save taxpayers up to \$100 million each year.

Illinois State Treasurer Michael Frerichs was the driving force behind SB 2858, which will allow the Treasurer's Office to invest in the state's unpaid receivables. In doing so, late bills will be paid more quickly, allowing the state to avoid interest penalties of up to 12 percent.

The bipartisan bill passed the Senate 49-1 and the House 115-0.

"When we come together, work through our differences, and leave the name-calling at home, we can accomplish great things for our state," Frerichs said. "I firmly believe we must provide tools for people to help themselves. With this new law, we have created a tool to help pay down the bill back log more quickly while increasing our investment returns."

SB 2858 authorizes the Treasurer's Office to invest up to \$2 billion of state funds not immediately needed for current expenditures. The investment would allow the comptroller's office to triage the latest bill payments to pay private vendors and ensure that safety-net programs are not forced to close.

"This new law gives me another tool to pay down some of the state's backlog and save taxpayers millions of dollars in late payment interest penalties," State Comptroller Susana Mendoza said. "I'm glad legislators of both parties and the governor could come together and see the wisdom of this approach."

The interest rate paid on the investments would be a variable market rate tied to the London Interbank Offered Rate or the Federal Funds Rate. These interest rates typically are higher than other investments made by the Treasurer's Office, but less than the 9 to 12 percent paid as interest penalties.

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Paying these overdue bills would eliminate the 12 percent interest penalties while increasing the interest rate the treasury receives on its investment portfolio. Together, it would save the state between \$35 million and \$100 million each year.

SB 2858 also emphasizes transparency. The intergovernmental agreement with the comptroller's office would detail the procedures for such investments, the period of investment, the payment interval, the interest rate, and which of the more than 700 state funds could be used for the investment.

The details would be public record and posted on the treasurer's website.

The chief sponsors of SB 2858 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 innovative programs to save money that has ever come before the House."

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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