



## OFFICE OF ILLINOIS STATE TREASURER

MICHAEL W. FRERICHS

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**CONTACT:**

Paris Ervin 217.524.5749

Greg Rivara 312.814.1901

### **Illinois State Treasurer Michael Frerichs' Statement on Moody's Decision to Lower Credit Bond Rating**

**SPRINGFIELD** – Illinois State Treasurer Michael Frerichs today released the following statement after Moody's decision to lower Illinois' credit rating for the second time since the budget impasse.

“This credit downgrade is disappointing because it is avoidable,” said Frerichs. “Illinois remains a good investment, but the focus on non-budgetary items is driving up the cost of government. Higher interest rates when we borrow money mean fewer dollars for teachers, child care workers, and others who serve our most vulnerable.”

“I continue to urge Governor Rauner and the Illinois General Assembly to put their differences aside and get a budget in place before more people are hurt.”

Bonds are a tool the state uses to borrow money. The Treasurer's Office receives and invests the proceeds of the bond sale. The lower a state's credit rating, the higher the interest rate on the loan. Interest payments will easily exceed current investment yields.

Illinois' General Obligation debt remains a sound investment because the state's constitution ensures that bond holders will be repaid. However, repeated downgrades weigh heavily on how individuals and investors perceive Illinois' economic and political climate. Negative perceptions never are beneficial nor productive.

#### **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 \$25 billion. Currently, the portfolio includes \$13 billion in state funds, \$7 billion in college savings plans and \$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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