



Treasurer Frerichs releases fourth quarter missed investment earnings due to budget impasse

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Illinois' Portfolio Reveals Millions in Missed Investment Opportunity

CHICAGO – The state of Illinois could have earned \$8.8 million more in investment income in the fourth quarter of 2016 as a result of the year-long budget impasse, Illinois Treasurer Michael Frerichs said today.

“Following yesterday’s state of the state address, we can all agree that the state is in dire need of a full, balanced budget plan that brings fiscal stability to Illinois,” Frerichs said. “Our office continues to maximize returns on our investments, but we could be bringing in millions more in investment income with a sound budget in place.”

In 2016, the state of Illinois earned \$68 million, but could have earned \$30 million more in investment income. Threats of unplanned fund sweeps and the need to pay court-ordered bills required the treasurer's office to make short-term investments that prioritized cash availability rather than longer-term, higher-yielding investment opportunities.

A six-month budget was passed on June 30, 2016. With no budget in place for a full-year, the treasurer's office remains faced with a number of cash management and investment challenges. The treasurer's office is responsible for managing the state's investment portfolio, ensuring the liquidity, safety and diversification of investments, and producing earnings at or above industry standards.

Frerichs' office increased the 30-day rate of return in 2016 compared to 2015.

During the budget impasse, the state increased its position in short-term, lower-yielding assets, such as overnight investments and money market funds, to ensure it had cash available in case of a multi-billion dollar fund sweep or another court-ordered increase in billings.

The analysis compares the state's overall asset allocation and term maturities each month and compares to March 2015, pre-budget impasse.