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Debt load doubles

Blanco: Critical projects road repairs necessary expenditures

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BATON ROUGE — Louisiana's sharp decline in debt over a decade has been reversed during Gov. Kathleen Blanco's term in office, with the amount of money owed for each man, woman and child in the state at a record level.

The Blanco administration says the increased debt load helped build critical projects and speed up desperately needed road construction, denying any assertions that the state embarked on too large a spending spree. The governor, a Democrat who is not seeking re-election, said Louisiana will be on sound financial footing when she hands over power early next year. And, she said a significant portion of the debt increase is tied to decisions made during her Republican predecessor's administration.

"A lot of good solid-thinking people with solid financial backgrounds take a look at all of this movement that we do with the state budget and state-supported debt, day in and day out," Blanco said in an interview. "This is not out of control."

Her critics question whether the debt load puts the state on shaky financial ground. State Treasurer John Kennedy, a Republican, said the hefty increase could limit the projects that can be built in the next governor's administration and could run the state up against its limits on debt if the state's income is less rosy than projected.

"I think we're in a very precarious position," Kennedy said. "All we need is a hiccup in revenues ... and we'll have a very serious situation with our debt."

Whatever the interpretation, the numbers are straightforward: Louisiana's per capita debt has at least doubled over Blanco's term. The state carried a "net state tax supported debt" of \$1,273 for every Louisiana citizen at the end of 2006, a number that grows to more than \$1,300 if adjusted for post-hurricane population dips.

But the state remains under its constitutional limit on debt — a cap enacted in the early 1990s that requires the state's annual debt payment requirements to fall under 6 percent of the state's yearly income from taxes, licenses and fees.

Jim Brandt, president of the nonpartisan Public Affairs Research Council, said he doesn't believe Louisiana's in a debt crisis, but he said PAR's closely watching the numbers.

He said the state is edging closer to its debt cap just as borrowing needs are greatest, with rebuilding demands after Hurricanes Katrina and Rita, a multibillion dollar backlog of road repairs and a

litany of projects sought to repair and rebuild Louisiana's wrecked coastline.

The state's current debt load "could in fact, if we're not careful, limit the state's ability to respond to the needs that we have out there," Brandt said.

For much of former Gov. Mike Foster's administration, the state's per capita debt was in steady decline, but it began creeping up toward the end of his second term. When Blanco took office in 2004, the state's outstanding tax supported debt was nearly \$2.9 billion, or about \$642 per state resident. Now, that debt load has doubled to close to \$5.8 billion, according to a report on state debt submitted to the State Bond Commission earlier this year.

Blanco said a significant portion of the debt increase is tied to decisions made during Foster's administration. Brandt agreed, saying the numbers were "artificially high" for Blanco's effect on state debt.

Blanco's financial advisers said when the governor took office, Foster had left about \$24 million to cover the costs of ongoing construction projects, called capital outlay projects — far too little to pay for his administration's obligations.

The construction projects included in the state's Transportation Infrastructure Model for Economic Development program, known as TIMED, had fallen years behind because of the increased costs of construction, and Blanco said state officials agreed they wanted to borrow money to speed up the program.

The governor also said the debt to speed up TIMED should be treated differently because it doesn't require payment from general state tax income. It is paid off with a dedicated 4-cents-per-gallon tax on fuel sales in Louisiana.

About \$600 of the state's per capita debt load is tied to the bonds sold to speed up the TIMED road and bridge construction program, said Bill Black, director of research and governmental accountability for Blanco's Division of Administration.

Under Louisiana's current revenue projections, state officials could start the usual \$300 million in new construction projects each year for the next five years and still have another \$400 million in untapped borrowing capacity under the debt ceiling, Black said.

Economists who work on state income estimates have predicted that while the large hurricane recovery spending boosts to the state's tax income will plateau, Louisiana will continue to have increases in its tax income.

"I hope they're right. I just don't believe it," Kennedy said.