Savannah Morning News
Date: Wednesday, August 10, 2011
Location: SAVANNAH, GA
Circulation (DMA): 38,831 (97)
Type (Frequency): Newspaper (D)
Page: 5A
Keyword: Georgia Budget & Policy Institute

Expert: Ga. bonds will keep top rating

At least $253 million in bonds needed to deepen Savannah River harbor

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An independent Georgia budget expert says downgrades in U.S.-backed debt won't tarnish bonds sold by the state.

"I'd be shocked if our bonds were downgraded," said Alan Essig, executive director of Georgia Budget and Policy Institute.

If Essig is right, that's good news for supporters of deepening Savannah's harbor, which will need at least $253 million in state bond funding.

They say a deeper harbor will float huge cargo ships soon due along the East Coast and let Georgia ports continue to prosper.

A downgrade would raise the interest rate and debt service on Georgia bonds, making deepening more expensive.

In recent days, Standard & Poor's Ratings Services has lowered its ratings of long-term U.S. debt and other federally backed debt.

That fueled speculation that Georgia and other states that have the coveted AAA ratings federal entities have lost might be vulnerable.

But Essig said the debt-related issues S&P cited in lowering the federal ratings don't apply to Georgia.

"By law, we have to balance our budget," said Essig, who has criticized some of the budget policies of Gov. Nathan Deal. "The issues involving federal bond ratings are totally unrelated to Georgia."

Deal spokesman Brian Robinson agreed S&P's federal-level downgrades have "no impact" on Georgia bonds.

"Georgia's bonds provide a safe investment because of the state's conservative fiscal management," Robinson said, "and we have done everything possible to maintain the top rating."

Georgia's AAA rating recently was reaffirmed by S&P and two other major rating agencies.

Savannah business leader Steve Green, a member of the Georgia Ports Authority board, said he's pleased by Essig's assessment, but not surprised.

"Overall," Green said, "Georgia has had a record of fiscal responsibility. It made difficult decisions. That's one reason why its bonds will be highly sought after."

Bond ratings aside, Essig said a potential nationwide relapse back into recession remains a threat to the state's economy.

That, he said, could reverse the recent upswing in state revenues. Georgia can no longer count on federal stimulus funds that have helped offset revenue shortfalls, and its reserve funds are mostly spent, he added.

Robinson said Deal "will keep doing what he has done: Budget conservatively, live within our means and have plans in place for outcomes we can't control."

Essig said harbor deepening remains a wise investment.

It would create jobs over the short term and promote long-term economic development by building a "world-class port," he said.

The traditional formula calls for Washington, D.C., to put up $372 million — or 60 percent — of the $625 million project.

That remains iffy, especially as pressure mounts to reduce federal spending. But Deal won't rule out a go-it-alone approach if federal money doesn't materialize.

In any case, said Ports Authority Chairman Alec Poitevint, it's important that state bonds remain attractive to investors.

"We're taking care of business in Georgia," Poitevint said. "Part of that is harbor deepening. We're going to do that in a cost-effective way by keeping our bond ratings high."