

LOCAL

Ga. counties face bigger challenges, not default

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ATLANTA — Georgia counties aren't facing money problems as large as one in Alabama, but they've got big headaches.

Washington officials haven't been overseeing the only government on the verge of financial meltdown in recent days. Commissioners in Jefferson County, the home of Birmingham, are debating whether to declare bankruptcy over \$3.2 billion in loans secured through bonds used to upgrade their sewer system.

Bankruptcy there would also affect school and construction bonds issued by the county for a total debt of \$4.1 billion, making it the largest municipal failure in U.S. history.

No Georgia counties are known to be close to a similar disaster, but some observers think they and Peach State cities could have tougher times borrowing for water and sewer improvements here.

"After several years of

declining revenues as a result of falling tax digests, counties are certainly feeling the impact," said Beth Brown, spokeswoman for the Association of Georgia County Commissioners. "Many are running out of options and are making more cuts to programs and services, and in some cases, raising the millage rate."

Declining property values in recent years have reduced the digests that local governments use to levy property tax. At the same time, the state government has cut spending to deal with its own drop in tax collections, leaving local governments to cover more of the costs of some programs.

Last year, the General Assembly approved then-Gov. Sonny Perdue's plan to sell nearly one-third of Georgia's borrowing pool that local governments relied on for low-interest financing for their water and sewer projects, leaving the largest counties to borrow from private lenders. Jefferson County, Alabama's largest, borrowed from private lenders.

Brown said she can't gauge the effect yet of selling part of portfolio of the Georgia Environmental Financing Authority.

"However, it is expected that private lenders may be less flexible on repayment options or adjusting loans than GEFA has been with local governments in the past," she said. "This could add to the challenges that counties face as we move forward if they can't refinance or renegotiate loans that are sold off by GEFA."

Adding to the challenges for local governments may be the federal budget cuts resulting from the deal to raise the debt ceiling, notes Alan Essig, executive director of the Georgia Budget and Policy Institute, an Atlanta-based think tank.

"The fallout from the debt-ceiling compromise is unknown at this time. The devil is in the details and no one knows what those details are," he said. "My assumption is that there will be impacts at all levels of government."

