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CO- S&P May Downgrade Colorado Credit Rating

By Tom McAvoy

DENVER -- Colorado still could issue transportation bonds in the spring, although it would cost more money to do so, if the state's credit rating is downgraded, a top official said Wednesday.

Tom Norton, director of the Colorado Department of Transportation, said Standard & Poor's decision to put the state on a **credit watch** is troubling, because the lower rating would mean paying higher interest on the bond debt and less on highway projects.

"We would be able to do a TRANS offering even with the lower credit rating, although it would cost money we'd prefer to put into projects," Norton said. (TRANS means Transportation Revenue Anticipation Notes, a form of government bond debt.)

The key, he said, is whether the Legislature passes Gov. Bill Owens' request to dedicate more -- 15 percent instead of the current 10 percent -- of state sales tax revenues to transportation and to repeal certain restrictions associated with that fund transfer.

The state Transportation Commission will have to know the Legislature's decision sometime next month if it is to authorize the department to return to the bond market for financing in April, Norton said.

"We need to make transportation a priority," he said. "In 1980, transportation was 12.7 percent of the state budget. Now it's 6 percent."

Standard & Poor's analyst, David Hitchcock, blamed the credit watch on Taxpayer's Bill of Rights restrictions on state spending. The restrictions affect the government's ability to pay off debt.

This is the first year since TABOR passed in 1992 that Colorado's economy has failed to produce a revenue surplus in excess of the TABOR limit. Part of the surplus has gone into highway and state building construction the past several years.

Chris Romer, a Denver investment banker and son of former Gov. Roy Romer, said the S&P credit watch threatens the bond rating of not only state government but Colorado school districts.

"If Colorado's credit rating is downgraded from double-A, it will be extraordinarily negative for the state and most school districts. It would cost them millions of dollars," Romer said.

Romer also blamed TABOR for exacerbating the state revenue problem.