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# Shutdown, default could affect NC credit rating

**Local governments could also get hit**

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Janet Cowell / AP

**ASHEVILLE** — Even when Congress reopens the federal government and raises the debt ceiling, North Carolina Treasurer Janet Cowell worries the recent gridlock could still cost state taxpayers.

As one of only nine states with a AAA credit rating, North Carolina could lose that distinction if the nation sees another downgrade in its creditworthiness, the state treasurer said.

“It’s discouraging. We could see higher interest rates to build schools and roads,” Cowell said. “And we would lose that Good Housekeeping seal of approval that affects business confidence.”

Regulations prevent North Carolina or any state from having a credit rating two levels above the nation, Cowell said. A national credit downgrade could also affect the credit

rating of local governments, such as Buncombe County, which also enjoys lower interest rates, thanks to a Triple A rating.

After Congress and the White House fought over raising the debt ceiling in 2011, Standard & Poor lowered the U.S. credit rating to AA+, citing concerns with governance and the ability of Washington lawmakers to deal with the country’s finances.

“This makes last year look like a pillow fight,” Cowell said.

While federal government remains shut down, the Oct. 17 deadline for raising the nation’s debt ceiling draws closer — more of a threat to a weak recovery, Cowell said.

“I don’t think we actually default, but we will go up to the brink of it,” she said. “However, that whole challenge with governance could lead to further downgrading of our credit.”

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Economists estimate that the government shutdown is shaving points off economic growth, which means fewer jobs being created.

Cowell warned the North Carolina Congressional District of consequences to the state's economy and good credit in a Sept. 30 letter before the government shutdown. She said she has not heard a response from any representative or the state's two senators.

Cowell and more than 30 state treasurers from across the nation arrived in Asheville over the weekend for the annual conference of the National Association of State Treasurers, which began Sunday and runs through Wednesday at the Grove Park Inn. For the first time, North Carolina is hosting the conference, which also attracts 250 financial professionals.

Democratic and Republican treasurers are troubled by the gridlock in Washington and how it affects the finances, pension plans and interest rates of their states, Cowell said.

"The bottom line is that a lot of treasurers are having trying to maintain stability in their states, despite what is a discouraging national situation," she said.

"All this can definitely have long-term economic impact."

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