Edwards sees royalties as La. budget's salvation

By JOHN LaPLANTE
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Budget cuts in state programs won't be necessary for the next six months if the state can convince oil companies to settle a dispute over alleged underpayment of mineral royalties, Gov. Edwards said Thursday.

Edwards refused to discuss details of the possible settlement, but he said it could bring in more than $100 million - enough to head off an impending deficit he estimated at $100 million.

Last month, Edwards said he was considering across-the-board budget cuts to eliminate the deficit. On Thursday, he said budget cuts are on hold for at least another month.

The one-time windfall from a royalty settlement would bail out state government only for the remainder of the current budget year, which ends June 30.

The governor said he still is proceeding with plans to propose a budget for the next fiscal year that would be 9 percent lower than the amount required to continue state services at their current spending levels.

"There is a strong possibility - and I emphasize strong - that we will be the recipient of considerable funds to help us with the temporary shortfall," Edwards told a news conference.

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Texaco has consistently denied it has underpaid its royalties.

Since the royalty settlement isn't a sure thing, Edwards said it's still possible he may have to order budget cuts before the end of the fiscal year.

He said he can't act right now because he doesn't yet have an accurate picture of the state's finances.

By early February, he said, he will have more accurate figures on how much money the state collected in taxes during the first half of the fiscal year and how much money was returned to the treasury by state agencies that did not spend their entire budget during the last fiscal year.

"We will give a 91 percent budget to the Legislature if need be," he said.

However, Edwards said he is more optimistic than other observers who see a continued drop in the world price of oil, which considerably affects tax revenues in Louisiana.

Edwards said he expects oil prices to reach a low point and begin rising by the summer.

Cuts

(Continued from 1A)

He did acknowledge that Texaco is one of the companies involved and that the issue involves an audit of the company.

The Department of Natural Resources has been conducting a lengthy audit of the oil giant to determine whether it has paid all the mineral royalties due the state. State government gets a cut of the value of all crude oil, natural gas and other minerals removed from state lands and water bottoms.

Last year the department fired an accounting firm that previously had been hired to conduct the audit. The firm's accountants initially estimated Texaco owed the state $100 million to $300 million in back royalty payments.

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Until then, no budget cuts will be imposed, Edwards said.

He said his agency heads have been instructed to continue work on budgets that will constitute 91 percent of a so-called standstill budget - current spending plus a small increase for higher costs, such as inflation, during the next fiscal year.

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