



NORTH CAROLINA

OFFICE OF THE TREASURER

JANET COWELL, TREASURER

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Contact: Heather Franco (919) 807-3132

COWELL RELEASES 2010 DEBT AFFORDABILITY STUDY

RALEIGH – State Treasurer Janet Cowell released the 2010 Debt Affordability Study to Gov. Perdue and members of the General Assembly.

The annual analysis found that the state has substantially exhausted its General Fund debt capacity until fiscal year 2011-2012. Additionally, the combined debt capacity of the Highway Fund and the Highway Trust Fund has been more than utilized until fiscal year 2012-2013.

Currently, all of the state's debt ratios are at or below the median levels for the State's peer group composed of all states rated "triple A" by all three ratings agencies. North Carolina's debt is considered manageable at current levels. The report acknowledges that the State's priorities of achieving budgetary balance and rebuilding the State's reserve funds are strong evidence of financial stability and flexibility.

"The committee recognizes that the use of federal stimulus funds was key in balancing the State's budget," Cowell said. "However, permanent solutions will need to be put into place as quickly as possible to secure long-term stability and replenish reserves in order to maintain the bond rating."

Additionally, the study outlines the need for centralized debt authorization, management, and issuance. The report states, "The Committee strongly recommends that the State of North Carolina maintain its historically conservative debt management practices... We recommend the General Assembly clarify its legislative intent regarding any agency's ability to enter into alternative financial arrangements that may include debt and debt-like obligations."

Cowell and the Committee also continue to recommend that the State consider the authorization of General Obligation debt as the preferred method to provide debt financing for its capital needs. Special Indebtedness is not subject to a vote of the people and is rated lower than the State's "GO" bonds. It typically carries a higher interest rate, which increases the cost of projects financed by this method.

The study was prepared by the staff of the State and Local Government Finance Division of the Department of State Treasurer, and approved by the Debt Affordability Advisory Committee, which was created by the General Assembly in 2004 and is chaired by Treasurer Cowell. Debt Affordability Advisory Committee members include: Cowell, Secretary of Revenue Kenneth Lay, State Budget Officer Charles Perusse, State Auditor Beth Wood, State Controller David McCoy and legislative appointees Stuart Bell, J.W. Davis, James Porto, and Jack Vogt.

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A full copy of the report is available at www.nctreasurer.com under the "State and Local Government" section.