

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



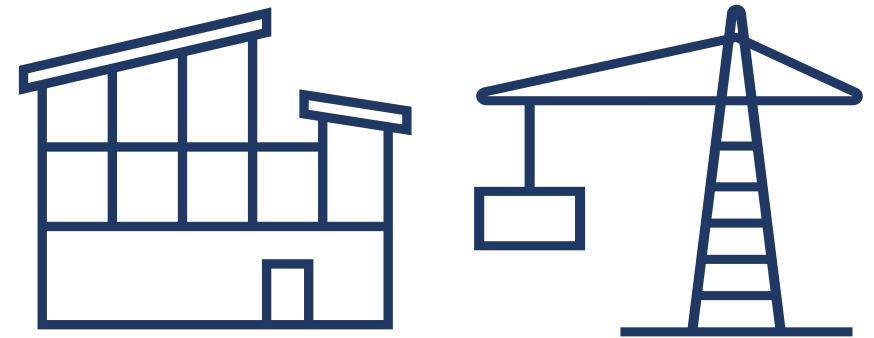
BRADFORD B. BRINER
STATE TREASURER OF NORTH CAROLINA

Module 7: Establishing a Debt Policy



Using Debt

- Debt is a tool that can be used to leverage available resources.
- A mixture of debt and current resources may be used to finance projects.
- Debt service must be included in the budget.^[1]



^[1][G.S. 159-13\(b\)\(1\)](#)



Debt Burden

- Before issuing new debt, local governments should think about how it will affect their overall **debt burden**.
- An unreasonable or heavy debt burden will limit future opportunities that a local government can take advantage of.





Debt Service Reminders

The LGC notifies local governments of debt service obligations for all debt approved by the LGC:

- LGC 129s - **Yearly** notifications (sent by May 1) notifying units of total obligations for the coming fiscal year.^[2]
- LGC 131s – **Monthly** notifications (sent at least 30 days before payment due dates) reminding units of upcoming principal and/or interest payments on outstanding obligations.^[3]
 - Payments must then be reported to the LGC on provided forms.^[4]



Questions or concerns related to these reminders should be directed to:

LGC129@nctreasurer.com
(annual notifications)

LGC131@nctreasurer.com
(monthly notifications)

^[2][G.S. 159-35\(a\)](#) ^[3][G.S. 159-35\(b\)](#) ^[4][G.S. 159-136](#)



Establishing a Debt Policy

- The governing board should establish a debt management policy.
- A debt policy will help the government manage its finances and meet obligations.





Establishing a Debt Policy

A well written debt policy should include:

1. Uses of debt (When should debt be used?)
2. Types of debt permitted (What types of debt should be used in different situations?)
3. Debt limitation (How much debt should the unit take on?)
4. Debt repayment (When should debt be paid off and how should payments be structured over time?)

Refer to the [sample debt policy](#) on the LGC website as an example.



LGC Approval of Debt

Before issuing bonds^[5] or other types of debt^[6], governing boards must submit a debt application to the LGC.

To determine whether LGC approval is required for a specific debt issuance:

- Fill out a [debt inquiry form](#) with whatever information you can provide.
- Consult the [flow charts and other resources](#) on the LGC website.
- **Reach out to LGC staff for guidance.** We are happy to help determine if LGC approval is required.

Home > LGC Debt Approval

LGC Debt Approval

North Carolina General Statutes require that the Local Government Commission (LGC) approve most debt issued by units of local government and public authorities in the state. LGC approval is required for more than just issuing bonds; units of local government wishing to enter into certain contracts, MOUs, and other financing arrangements also require LGC approval. Information on applying for LGC debt approval, including flowcharts for determining when LGC approval is required, is available on our website.

Note that North Carolina Session Law 2022-53 (SB265) recently modified the thresholds for exception to LGC approval in N.C.G.S. 159-148. Under these changes, there are new lower limits for contracts and other financings requiring LGC approval for units on the most recent Unit Assistance List published by the Department of State Treasurer. This change is effective for all contracts entered into on or after October 1, 2022. Please see the Session Law for full details and changes.

Are you a local government or public authority in North Carolina that:

- ☐ Wishes to apply for LGC approval of debt?
- ☐ Is looking to determine if LGC approval of debt is necessary?
- ☐ Needs information on the process of applying for LGC approval of debt?

Please let us know using the form below. Your inquiry will be directed to LGC staff and a member of our debt management team will follow up to discuss your project with you. If you have further questions on LGC approval of debt, please contact LGC staff at SLGFD@nctreasurer.com.

Inquiry Form

Unit Name *

Select

^[5][G.S. 159-51](#) ^[6][G.S. 159-153\(a\)](#)



LGC Approval of Debt

- The LGC has adopted specific guidelines for the review and approval of debt applications.
- Units with Financial Performance Indicators of Concern (FPICs) must submit any required FPIC responses before applying for debt.





Resources

- [Debt Reports and Notices](#)
- [Sample Debt Policy](#)
- [Applying for Debt](#)
- [Debt Inquiry Form](#)
- [LGC Debt Approval Guidelines](#)

Further reading:

- [LGC Approval of Bonds, Installment Financings, Leases, and Other Contracts Involving Capital Assets \(UNC School of Government\)](#)
- [How Often Do Local General Obligation Bond Referenda Succeed in North Carolina? \(UNC School of Government\)](#)



Resources



- UNC School of Government
 - NC Finance Connect
 - Finance Calendar of Duties
 - NC Local Government Finance 101
 - NC League of Municipalities
 - North Carolina Association of County Commissioners
 - Government Finance Officers Association - Best Practices & Resources
- **Contact LGC Staff:** (919) 814-4300
 - **Visit the LGC Website**
 - **Sign up for the LGC Staff Blog**
 - **Stay up to date with SLGFD Memos**



Quiz: Module 7

1. What is a tool that can be used to leverage available resources?
2. Does debt service have to be included in the budget?
3. What is one thing a good debt policy should include?

