



North Carolina Department of State Treasurer

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February 1, 2007

For Immediate Release
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MOORE RELEASES 2007 DEBT AFFORDABILITY STUDY

Annual Report Says State Has \$384 Million Available for New Debt

RALEIGH – Today State Treasurer Richard Moore released the 2007 Debt Affordability Study, which analyzes the state's available debt capacity, to Governor Easley and members of the General Assembly. The annual study, issued for the first time by Moore in 2003, serves as a tool for sound debt management and helps to protect North Carolina's strong bond rating.

“Managing our state’s debt levels is critical to maintaining our state’s fiscal health and preserving our ‘triple A’ credit ratings,” Moore said. “There are great needs across our state – from school construction and infrastructure to land conservation and transportation – but we must maintain our commitment to keeping our fiscal house in order. I have been proud to work with the General Assembly and Governor Easley to put the state’s finances back on track and to restore our superior credit ratings. I urge them to heed this report and act responsibly when considering debt on behalf of the taxpayers of our state.”

According to the report, the State can issue \$384 million in new debt for each of the next ten years and maintain manageable debt levels. This recommendation marks an increase from last year's figure of \$214.4 million, attributable to strong revenue growth and low interest rates. However, the report cautions that as more debt is issued, the State has less budget flexibility to address any declines in revenue that might occur. As its base calculation, the report recommends that debt service should be targeted at no more than 4 percent of general revenues and should not exceed 4.75 percent.

The Debt Affordability Study is significant in maintaining the State's bond rating. Control of debt burden is a key factor used by the rating agencies to determine credit quality. North Carolina regained its status as one of only seven states awarded top ratings by all three rating agencies, when Moody's Investors Service raised the state's credit rating to Aaa last month.

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 Moore. Debt Affordability Advisory Committee members include: Moore, Secretary of Revenue E. Norris Tolson, State Budget Officer David McCoy, State Auditor Les Merritt, State Controller Robert Powell and legislative appointees Christopher Henson and James Porto.

A full copy of the report is available at www.nctreasurer.com.

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