

## Local Government Commission <sup>[1]</sup>

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## Local Government Commission

by David Stick, 2006

The Local Government Commission <sup>[2]</sup> was created by the General Assembly <sup>[3]</sup> in 1931 after the funds invested in banks <sup>[4]</sup> by many local governments had been lost in the stock market crash of 1929 <sup>[5]</sup>. Previously, North Carolina counties, cities, and other local taxing units had been given broad authority to borrow money and issue bonds. There were no limitations on the amount of bond indebtedness for which local governmental units could be obligated or on how these public funds could be invested. As a result, in many instances small, local, and often poorly managed banks were the depositories of choice for counties and cities, and often they were among the first to fail. As for bonds, in some cases county bonds, sold in the 1920s, were finally paid off in the 1930s at the rate of ten cents on the dollar.

The specific responsibility given the Local Government Commission was to approve, sell, and deliver all North Carolina bonds and notes. It was designated as the agency whose approval was required for certain types of financial agreements involving local governments, while at the same time it was to help counties, cities, and other local taxing units set up and maintain their financial and accounting systems. The commission was even called on to provide educational programs on finance and cash management for local officials. Adding extra clout in fulfilling these assignments was the commission's high-level membership. It consisted of nine members: four state officials serving *ex officio*, including the state treasurer <sup>[6]</sup>, state auditor <sup>[7]</sup>, secretary of state <sup>[8]</sup>, and secretary of revenue; three members appointed by the governor <sup>[9]</sup>, one of whom was required to be, or to have been, the mayor or member of the governing body of a city and the other a member of a county board of commissioners); and two members selected by the lieutenant governor and the Speaker of the North Carolina House. With these important officials and the state treasurer, who served as chairman, the authority of the commission was established from the outset.

As an early result of the legislative decision to provide the new agency with the supervisory powers needed to correct the costly mistakes of the 1920s, the Local Government Commission soon became, and remains, a bulwark of North Carolina government. One important consequence is that the state and many of its counties and cities consistently maintain credit ratings well above the average for other states.

### Additional Resources:

North Carolina Local Government Commission official website: <http://www.nctreasurer.com/slg/Pages/Local-Government-Commission.aspx> <sup>[2]</sup> (accessed October 25, 2012).

Alden, Edward. "Policy Initiative Spotlight: North Carolina's Local Government Commission." *Renewing America* (blog). Council on Foreign Relations. June 15, 2012. <http://blogs.cfr.org/renewing-america/2012/06/15/policy-initiative-spotlight-north-carolinas-local-government-commission/> <sup>[10]</sup> (accessed October 25, 2012).

Fehr, Stephen C. "North Carolina Agency Is Local Government Lifeline", *Stateline* [Pew Center on the States]. June 6, 2012. <http://www.pewstates.org/projects/stateline/headlines/north-carolina-agency-is-local-government-lifeline-85899396242> <sup>[11]</sup> (accessed October 25, 2012).

Coe, Charles K. "Preventing Local Government Fiscal Crises: The North Carolina Approach." *Public Budgeting & Finance* 27. Issue 3. Fall 2007. pages 39–49.

Fesler, James W. "North Carolina's local government commission." *National Municipal Review* 30, Issue 6, June 1941. pages 327–334.

Ratchford, B. U. "The work of the North Carolina local government commission." *National Municipal Review* 25. Issue 6. June 1936. pp. 323–368.

McMahon, John Alexander. *The North Carolina local government commission* <sup>[12]</sup>. Chapel Hill: North Carolina Association of County Commissioners. 1960.

### Subjects:

Great Depression (1929-1941) <sup>[13]</sup>

Banks and banking <sup>[14]</sup>

Economics and Economic Development <sup>[15]</sup>

Government agencies <sup>[16]</sup>

UNC Press <sup>[17]</sup>

**Authors:**

Stick, David <sup>[18]</sup>

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Encyclopedia of North Carolina, University of North Carolina Press.<sup>[19]</sup>

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[3] <https://www.ncpedia.org/general-assembly>

[4] <https://www.ncpedia.org/banking>

[5] <https://www.ncpedia.org/history/20th-Century/great-depression>

[6] <https://www.ncpedia.org/treasurer>

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[8] <https://www.ncpedia.org/secretary-state>

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[10] <http://blogs.cfr.org/renewing-america/2012/06/15/policy-initiative-spotlight-north-carolinas-local-government-commission/>

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