Abstract
The management of State indebtedness is always important to the analysis of the financial sustainability of nations and – given the current global financial crisis - is increasingly important to the political agenda. Local government cannot be excluded from this analysis as they have a role to play in overall state efforts to control the situation. The aim of this research is to examine, for 2006 and 2007, the causal factors of indebtedness of municipalities in northern Portugal and identify their patterns of operation and influence. In addition to a bivariate analysis a multiple linear regression model was also tested. The results show that the principal determining factors are the legal maximum level of indebtedness, total spending, capital receipts and the current account balance. Additionally, both the bivariate and the multiple analyses confirm that the causal factors remained the same for the two years under analysis. Finally, the results confirm that there was no statistically significant difference in net debt for 2006 and 2007 in spite of the fact that a new Local Finance Law came into operation in 2007.

Keywords
Indebtedness, determinants, public administration, municipalities.