

Most of the States which have authorized municipal industrial financing permit only revenue bonds; that is bonds which are secured only by a pledge of the revenues from the facility financed by the bonds. Some States, including Alabama, Louisiana, Mississippi, and Tennessee, permit either general obligation bonds or revenue bonds. General obligation bonds are secured by a pledge of the full faith, credit and taxing power of the issuer, so that if the revenues from rental payments on the industrial facility are not sufficient to pay the principal and interest on the bonds, the municipality is committed to levy taxes in sufficient amount to pay such principal and interest. Mississippi accounts for a large percentage of the general obligation bonds which have been issued by municipalities to finance industrial plants, with 229 issues aggregating over \$79 million out of the total of 315 issues of general obligation bonds aggregating \$173 million.

Where municipal industrial financing is effected by revenue bonds, which is now the case for most issues outside of Mississippi, the only security for the bonds is the revenue from rental payments from the industrial facility, a private corporation.

The principal feature of all municipal industrial financing is the fact that tax-exempt bonds of local governments are issued to finance plants for the use of private companies. Since the tax-exempt bonds obtain a lower rate of interest, increasing numbers of large corporations are utilizing this type of financing. This trend is reflected in table 3 and in table 4 which lists the 15 largest municipal industrial bond issues. The industrial facilities financed by municipalities through tax-exempt bonds and leased to private companies have included chemical, tire, aluminum, fertilizer, sugar refining, paper, plastics and petrochemical, steel, meat processing, shoe, paint, textile, clothing, furniture, luggage, and container plants or factories.

The tax exemption of bonds issued by States and municipalities is based on a statutory exemption and the constitutional doctrine of reciprocal immunity, on the theory that bonds issued by local governments will be for governmental purposes. The use of tax-exempt financing provides industrial facilities with a competitive advantage over other companies in the same business that do not employ tax-exempt financing.

TABLE 1.—*Authorization for municipal industrial financing, Apr. 15, 1966*

Legislation authorizing the issuance of municipal bonds to finance industrial plants to be leased to private companies has been adopted in the following 28 States (on the basis of available information as of this date, no bond issues in the States marked with a "+" and 6 or fewer issues in the States marked with an "*"):

Alaska ¹	Kentucky	New York† ²
Alabama	Louisiana	North Dakota*
Arizona*	Maine†	Ohio*
Arkansas	Maryland*	Oklahoma*
Delaware*	Michigan†	Tennessee
Georgia	Mississippi	Vermont†
Hawaii*	Missouri*	Virginia†
Illinois†	Nebraska	West Virginia*
Iowa*	New Mexico*	Wyoming†
Kansas*		

¹ In Alaska there is no specific authorizing legislation but the constitution authorizes cities to exercise all powers not prohibited to them.

² In New York only a State development agency is authorized to issue bonds to assist in industrial development.