

As an initial step in overcoming this data gap, chapter 2 describes the sizable bond market financing by private, nonprofit organizations. The estimated volume of obligations issued by such organizations expanded from \$15 million in 1946 to \$52 million in 1955, \$138 million in 1960 and \$237 million in 1965. The loans are usually secured by a mortgage lien on the borrower's property, although there has been an increasing trend in the use of unsecured notes. Repayment periods have gradually lengthened from 10 to 15 years (usually arranged in the immediate postwar years) to a 20-year period, that is now frequently used. Most recently, terms up to 40 years have been arranged. During the years 1946-65 about 42 percent of the funds borrowed have been used to finance hospitals, 31 percent for educational institutions, 20 percent for churches and synagogues, and the remaining 7 percent for nursing and retirement homes or other purposes.

(c) *State Aids for Local Public Facilities*

State aid to local governments for public facilities may take the form of shared taxes, grants-in-aid, direct loans, issuance of State bonds to finance local construction and assumption of responsibility for construction and maintenance of certain facilities (roads, bridges). State aids to local governments for capital outlays rose from \$332 million in 1952 to \$692 million in 1962 and \$956 million in 1964, and may well exceed \$1,150 million by 1970. Of the \$692 million of State aid for local government capital outlays in 1962, \$374 million was used for educational facilities, \$260 million for highways and \$58 million for other purposes (mainly for housing, urban renewal, and water resource projects).

At the end of 1965 there were some 26 State credit assistance programs in 17 States to aid local governments in the financing of public facilities. Of these 26 programs, 17 involved State direct loans, 5 involved State grants to cover debt service (all or part) on local government bond issues and 4 involved State guarantees of local government indebtedness. If account is taken of debt service grants as well as direct loans, between 1946 and 1965 total expenditures under the State credit aid programs amounted to \$3.2 billion, of which \$2 billion was for school construction and \$1.1 billion for public housing. State direct loans alone, including those with contingent repayments,¹⁰ for public facilities only (excluding housing and business development loans) totaled \$1.8 billion during 1949-65.

State direct loans for public facilities, where repayment is firm, rose from \$24 million in 1949 to \$75 million in 1965, and aggregated \$297 million for the 17-year period ending in 1965. While State enactments of credit assistance programs have grown slowly, there is reason to expect such programs to become an increasingly important means of State financial assistance to local governments.

2. *Municipal Securities Market: Patterns, Structure and Problems*

(a) *Emerging Patterns*

(1) *Characteristics of Bonds Sold.*—New issues of municipal bonds (long-term obligations issued by State and local governments and their

¹⁰ According to Census Bureau definitions, where repayment is contingent, such direct loans are not counted as part of the local government indebtedness.