Supplement B

Relationship of Indebtedness to Capital Outlays for State and Local Governments

At the present time there are no internally consistent statistics relating to State and local government capital outlays, bond sales, and outstanding indebtedness. Instead, there are independently compiled series on (*a*) capital outlays and construction expenditures (collected by the Governments Division, Bureau of the Census, on a fiscal-year basis); (*b*) construction put in place (collected by the Construction Statistics Division, Bureau of the Census, on a calendar-year basis); and (*c*) bond sales and refundings (two different series, both on a calendar basis; one compiled by the Bond Buyer, and the other by the Investment Bankers Association), and debt outstanding, new debt issued, and retirements (collected by the Governments Division, Bureau of the Census, on a fiscal-year basis).

The purpose of this supplement is to ascertain the relationships, if any, among the aforementioned statistical series in order to provide a basis for translating the public facility capital requirements of State and local public agencies for the years 1966–75 into estimated required annual net changes of State and local government indebtedness. Availabiltiy of such estimated required annual net changes of indebtedness, when compared to the annual sums of projected net changes of holdings of State and local government obligations developed in supplement D, would provide a measure of the extent to which the capital requirements can be financed by borrowings in the capital market given the existing complex of tax rate, alternative market yield, and institutional portfolio considerations.

This supplement consists of four tables, with appropriate explanation regarding data sources, methodology, and assumptions. These tables are: (1) Estimated Annual Capital Outlays of State and Local Governments, Calendar Years 1956–65; (2) Municipal Bond Sales Related to Capital Outlays, 1956–65; (3) Relationship of Long-Term Debt Issued to Outstanding Debt, 1956–65; and (4) Projected Net Increases in Debt Outstanding, 1966–75.

1. ESTIMATED ANNUAL CAPITAL OUTLAYS, CALENDAR-YEAR BASIS

Table B1 shows the relationship of State and local government construction expenditures to capital outlays for the fiscal years (of the reporting governments) 1956–65, as collected each year by the Bureau of the Census. According to the material presented in chapter 1, the annual construction expenditure figures, as compiled by the Governments Division, and the construction-put-in-place figures, as compiled by the Construction Statistics Division, showed a high degree of historical consistency for the decade 1954–63, after the latter had been converted into annual data for years ending June 30.[1]

[1] Beginning in 1963, the construction-put-in-place statistics for State and local governments have been based on construction expenditures data collected by the Governments Division, Bureau of the Census.