

endar-year figures by averaging the two fiscal-year figures falling in the respective calendar year; and the respective calendar-year figures are entered in column 8. The differences (col. 9) between total long-term debt issued and long-term debt issued for capital outlays represent long-term debt issued to finance veterans' bonuses, State direct loan programs (for example, for housing) and other noncapital outlay purposes, including increases in undistributed bond funds. For the 7-year period 1958-64 ⁶ long-term debt issued for capital outlays accounted for 92.6 percent of total long-term debt issued.⁷ This relationship ties in with the materials presented in chapter 1, which showed that of the \$110.1 billion of long-term borrowing by State and local governments during the 14 fiscal years from 1952 through 1964-65, \$101.4 billion, or 92.1 percent, was issued to finance capital outlays.

Comparison of the "long-term debt issued for capital outlays" (col. 8) with "estimated capital outlays" (col. 10) for each of the years 1958-64 results in an average ratio of 50.1 percent; that is, about half of State and local government capital outlays are financed by long-term borrowing. This average ratio is fairly close to the 50.4 percent average ratio of capital outlays accounted for by long-term borrowing, reported in chapter 1 (table 6).

3. LONG-TERM DEBT ISSUED COMPARED TO OUTSTANDING DEBT

The only reported data on retirements (repayments) of State and local government debt are those compiled by the Census Bureau on a fiscal-year basis. On the assumption that the debt-outstanding figures, as of the beginning of the fiscal-year period (as reported by the Census Bureau), and the reported annual retirements are reasonably consistent with each other,⁸ it is possible to derive estimated annual rates of debt retirement (col. 3 of table B3). These fiscal year rates of retirement were then converted into calendar-year rates by averaging the two overlapping fiscal-year ratios (col. 4).

Columns 5-8 of table B3 provide a simple gross flow compilation of State and local government indebtedness on a calendar-year basis. Debt outstanding at the beginning of the calendar year (col. 5) represents the estimates shown in the Federal Reserve "Flow of Funds Accounts." Estimated retirements (col. 7) reflect application of the annual rates of retirement (col. 4) to the beginning of year outstanding debt figures and net changes of outstanding debt (col. 6) are derived by subtractions of column 5 data. The annual sum of "net change" plus "debt retirement" equals "estimated new debt issued" (col. 8).

By definition, "estimated new debt issued" equals new long-term debt issued plus the net change in outstanding short-term debt.⁹ Con-

⁶ The figures for long-term debt issued for capital outlays for 1956, 1957, and 1965 were estimated by the writer by applying 92.6 percent to the respective annual figures on total long-term debt issued.

⁷ Average of the annual ratios obtained by dividing col. 7 by col. 8.

⁸ Comparison of annual net change of long-term debt outstanding of State and local governments (by subtraction of successive annual outstanding-debt figures) with derived annual net-change figures (long-term debt issued less long-term debt retired) finds a number of disparities. Similar disparities are found when the comparisons are made for State governments or local governments separately.

⁹ There is no Bureau of the Census tabulation of new short-term debt issued.