## Chapter 4

# State Credit Aid for Public Facilities*

### Introduction

This is a study of State credit aid programs to assist municipalities and other local public bodies in the provision of public facilities and works. State credit assistance is a means of securing lower interest rates and easier terms on loans for local governments. For this reason, it encourages local public bodies to undertake projects for the construction of public facilities. It is not a substitute for local expenditures and is distinct from direct State grants to local bodies.

To date, 17 States have credit assistance programs to aid local governments in the financing of public facilities. There are several varieties of credit assistance: (1) direct loans, wherein the State government loans money to the local jurisdiction, enabling the local unit to avoid private lenders and obtain favorable interest rates and repayment schedules; (2) guarantees of debt service payment, wherein the State pledges to pay principal and interest on local bond issues should the local unit be unable to do so; and (3) grants to cover debt service, wherein the State contributes in part or in whole to the local payment of debt service. This latter is, in effect, a variation of a grant-in-aid, whereby the payment is made over the life of the bond issue rather than during the period of construction.

Credit assistance programs, numbering 26, are in effect in 17 States. The direct-loan type is used in 17 cases, payments of debt service in 5, and guarantees of debt service in 4.

Assistance is granted most often for the construction and repair of public school buildings and facilities. Eleven States—California, Indiana, Maryland, Minnesota, New Hampshire, North Carolina, North Dakota, Ohio, Pennsylvania, Rhode Island, and Wyoming—provide credit aid for this purpose. In addition, Connecticut, Massachusetts, and New York have credit assistance programs for moderate rental housing projects; Maryland, New Hampshire, New Jersey, Ohio, and Wisconsin for water and sewerage facilities; Indiana for public works; Indiana, Minnesota, and Pennsylvania for industrial development; California for small craft harbors; Indiana for flood control; Maryland for airport and airport facilities; Rhode Island for library construction; Washington for reclamation projects; and Wyoming for irrigation projects.

Since 1947, 11 States have provided the aggregate sum of $2,008,095,850 to aid local governments in financing school construction. Of this amount, the major portion, $1,329,700,000, has been authorized by California since 1953. Amounts provided in other States range

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