Information concerning these categories for the period 1957 through 1965 is presented in charts IX and X. Chart IX shows the dollar value of new issues classified by use of proceeds. Readily apparent is a pronounced increase in refunding, reflecting the following two factors: First, late 1962 and the first half of 1963 constituted a period of low-interest rates, a favorable time to exchange existing debt for less costly debt. A second factor explaining the continued large volume of refunding is the legal necessity to refund certain issues before new debt may be issued. This requirement is frequently found in revenue bond issues, although it has been relaxed over the past several years as revenue bond financing techniques have evolved and investor acceptance has increased. The chart shows also the increase in issues to obtain funds for social welfare. The increase in miscellaneous issues reflects the trend toward consolidated financing and general purpose bond issues. Education and utilities and conservation also have increased whereas transportation has remained at the same level.

Chart X demonstrates the percentage of borrowing used for each purpose. Particularly noticeable is the large increase in the percentage of funds used for refinancing, and the decrease in percentage of funds used for transportation. The relative share used for education has slightly decreased, while the opposite is true for social welfare.

One of the more spectacular developments in this area has been the rise of industrial aid financing. In this form of financing, the borrowed funds are used to construct and sometimes equip a production facility, which the governmental unit then leases to a private firm. Although the volume is not large, relative to the other categories, the growth rate has been rapid. The present annual rate of this type of financing is about $600 million, which compares with totals of $7 million in 1957, $72 million in 1961, and $214 million in 1965. This topic is discussed in detail in another chapter. Additional statistical information is presented in table 3 of the appendix.

Characteristics of Borrowing Agencies

The past decade has been characterized by rising levels of new debt issues and outstanding debt. This section presents information describing the relationship of the issuer of new municipal bonds to the bond market. This is done by compiling market data in terms of the following characteristics of the issuer: (1) the type of public body (State government, city, school district, and special districts), (2) the geographical location, and (3) the population size.