

New State and municipal bond issues

[Dollars in millions]

Year	Number of issues	Aggregate amount	General obligation issues	Percent of total
1946	3,319	\$1,203.6	\$997.7	82.90
1947	3,803	2,353.8	1,968.1	83.61
1948	4,706	2,989.7	2,440.2	81.62
1949	5,107	2,995.4	2,312.5	77.20
1950	5,861	3,693.6	3,093.7	83.76
1951	5,281	3,278.2	2,548.1	77.73
1952	5,313	4,401.3	2,937.9	66.75
1953	5,795	5,557.9	3,990.6	71.80
1954	6,526	6,968.6	3,754.3	53.87
1955	6,660	5,976.5	4,244.1	71.01
1956	6,495	5,446.4	3,775.9	69.33
1957	6,888	6,958.2	4,933.2	70.90
1958	6,855	7,448.8	5,724.9	76.86
1959	6,711	7,681.1	5,159.7	67.17
1960	6,529	7,229.5	5,034.7	69.64
1961	6,400	8,359.5	5,761.5	68.92
1962	6,515	8,558.2	5,892.2	68.85
1963	6,577	10,106.7	6,069.2	60.05
1964	6,314	10,544.1	6,886.3	65.31
1965	6,059	11,084.2	7,445.0	67.76

2. FACTORS AFFECTING USE OF GENERAL OBLIGATION BONDS

There are many elements affecting the issuance of tax exempt securities which account for the declining percentage of general obligation bonds issued when compared to the total amount of tax-exempt bonds brought to market. These elements should probably be considered separately.

(a) *Demand and interest costs.*—So long as the demand for tax-exempt bonds and resulting spread in interest costs between general obligations and revenue or other public agency bonds is relatively narrow, the public bodies will naturally turn to financing which does not require a vote of the electorate or an increase in the levy of ad valorem taxes to pay such bonds. However, when the demand for tax exempts dries up, and interest costs increase, the trend is to issue more general obligation bonds percentagewise as the spread between interest costs on general obligation and revenue bonds becomes wider. The latest figures available which substantiate this observation are reported in the Investment Bankers Association statistical bulletin for the first quarter of 1966 which shows that of the 1,341 new issues during that period, aggregating \$2,859 million, there were 988 general obligation bond issues totaling \$1,903 million, or approximately 74 percent of the total volume.

(b) *Authorities.*—Many public functions formerly exercised by States and local subdivisions which were supported by taxes and general obligation bonds are now being carried on by means of quasi-public agencies such as authorities, commissions and, lately, nonprofit corporations, existing pursuant to law, and authorized to issue bonds the interest on which is exempt from Federal income taxes. The bonds of such agencies are generally payable solely from the revenues of income producing facilities, but in a few instances some of the authorities and commissions are authorized to levy limited taxes, or portions of existing taxes or excise taxes have been allocated or dedicated to them for debt service. Another chapter of this study reports in more detail upon bonds of the character referred to in this paragraph.