

centage is so low (Indiana, for example) as to be unrealistic in this modern era. Local public agencies in many cases have circumvented such limitations by means of authorities, lease-purchase agreements, etc., which result in higher costs to the taxpayers.

The population explosion has changed the pattern of general obligation financing to a considerable extent. Educational facilities at all levels are of prime concern, and most of the indebtedness incurred by States and their agencies in recent years has been for that purpose. The issuance of dormitory revenue bonds has relieved the necessity for issuing State bonds for that purpose, but buildings for classrooms, laboratories, and hospitals for medical colleges still are financed by State bonds. There has also been a rise in borrowing for parks, playgrounds, and other recreational facilities. Overcrowding of streets has resulted in a rise in municipal debt for the construction, or widening of arterial streets. The Federal Interstate Highway System has not of itself increased the necessity of borrowing for highway purposes, but the narrow, outmoded State and county highways existing at the close of World War II required heavy financing immediately following that period to widen, modernize and correct the dangerous condition of those highways and to care for increased traffic.

The increasing use by cities and towns of revenue bond financing for water, electric, gas, parking, and sewer purposes has caused a decline in general obligation bond issues for those purposes. There is no uniformity in the decisions of the courts of the various States as to whether revenue bonds are exempt from constitutional debt limits. The so-called special fund theory has been adopted in full in the majority of the States and revenue bonds are not considered "debt" within the meaning of the constitutional limitations. Fifteen States originally rejected the theory in whole or in part, those that have rejected it in part permit the exclusion of bonds payable from the revenues of the facility constructed from the proceeds of the bonds, but do not permit the exclusion if revenues from the existing facilities which were being added to or extended are also pledged.

Constitutional limitations upon indebtedness do not take into consideration the debts of overlapping jurisdictions, with the exception of South Carolina, which has an overall debt limit of 15 percent of the assessed valuation of the property included in the overlapping territory, and Louisiana where parishwide and local school districts have an overall limit of 25 percent on overlapping territory. However, there are, in a few States, limitations on the maximum rate of taxes which may be levied on property which has the effect of limiting indebtedness payable from ad valorem taxes. Many sophisticated investors require information on overlapping debt before purchasing any bonds of a political subdivision.