

CHAPTER 26

State and Local Governments*

INTRODUCTION

State and local governments have been, and are, prime users of loan funds, as evidenced by the increasing sale of State and local bonds and the mounting outstanding debt, rather than a prime or even secondary lending source of such loan funds. The relationship of debt to construction expenditures makes this quite clear, particularly for local governments where, in some instances, the amount of debt incurred in recent years has exceeded the total construction expenditures for the year. This, in part, is because of refunding issues included in the total debt issued and, in part, because local governments particularly may have issued bonds prior to need for funds and then temporarily invested the proceeds.

State and local construction expenditures and debt issuance

[Dollar amounts in millions]

Year	State governments			Local governments		
	Construction expenditures	Debt issued	Percent of expenditures	Construction expenditures	Debt issued	Percent of expenditures
1965	\$7,508	\$3,022	40.2	\$8,909	\$8,227	92.3
1964	7,263	2,793	38.4	8,127	8,450	103.9
1963	6,717	2,103	31.3	7,764	7,861	101.2
1962	5,960	3,070	51.5	7,593	6,326	83.3
1961	5,699	2,205	38.6	7,515	5,876	78.1
1960	5,509	2,283	41.4	6,843	5,673	82.9

Source: U.S. Bureau of the Census, Government Finances for selected years.

CASH AND SECURITY HOLDINGS

However, cash and security holdings of State and local governments have increased substantially in the past 15 years. This has been particularly true for such insurance trust funds as unemployment compensation, workmen's compensation, and employee retirement funds. Increases in retirement fund assets, which are discussed elsewhere in some detail, have been very rapid. But cash and security holdings of State and local governments for other than insurance trust funds have also increased, rising from \$18,702 million in 1952 to \$44,042 million in fiscal 1964-65; an increase of 146.8 percent. Substantial amounts of such cash and security holdings would not be available as loan funds since they represent offsets to, or sinking funds for, debt that has been issued, or represent bond fund proceeds that have not as yet been expended or required.

*Prepared by the Municipal Finance Officers Association, with minor editing by committee staff.