

In fiscal 1964-65, long-term debt offsets amounted to \$8,261 million and unexpended bond funds totaled \$9,764 million, or 18.8 percent and 22.2 percent of the total cash and security holdings of \$44,042 million. The balance of \$26,016 million, or 59 percent of the total, represented other types of fund holdings.

Of necessity, some cash must be kept on hand and some of the assets must be of a liquid nature in order to assure amounts to meet payrolls and other current bills as they are presented for payment. For fiscal 1964-65, cash and deposits totaled \$19,289 million representing 43.7 percent of total cash and security holdings. Securities held amounting to \$24,752 million, were distributed 8.4 percent in State and local government securities, 68.4 percent in Federal securities, and 23.2 percent in other types of securities.

More and more State and local governments are developing sophisticated cash management programs whereby temporarily idle and other funds are invested for maximum periods of time and maximum rates of return. Since the tax exempt feature of State and local government bonds is of no value to them as investors in securities, and because most of their assets would need to be invested for short-term periods rather than for long-term investment yields, much of the investment of State and local governments has been concentrated in various Federal Government obligations or in certificates of deposit offered by banks. This has resulted in higher interest earnings than if the amounts available for investment had been placed in State and local obligations. Many smaller municipalities have deposited substantial sums in savings and loan associations. Except possibly for some of the turnover or multiplier effects that could be engendered by amounts placed in savings and loan institutions or invested in certificates of deposit, the bulk of the securities held by State and local governments could not be construed as reflecting States and local governments as sources of loan funds to finance capital improvements of State and local governments.

Local governments, while not a major source of loan funds for capital outlay financing, do provide some minor sources that are of benefit to the citizens in the affected areas. Some cities have revolving funds used to finance the cost of projects benefiting a particular property or properties. About 220¹ cities have utilized this approach to finance sidewalks, curbs, and sewer main extensions. The approach used by the city of Jacksonville, Fla., is illustrative. That city has a sidewalk and curb revolving fund which initially began with a \$25,000 appropriation and in 1966 totaled \$360,000. The fund is used exclusively to finance installation of sidewalks upon receipt of a proper petition from the property owners desiring the improvement. The amount loaned is payable in 5 years. The local fund of the city of Buffalo, N.Y., which is used to finance improvements and services to be paid by special assessments, had cash and investments of \$122,000 in 1965. The city of Detroit has two revolving funds to which the general fund contributed capital: sidewalk fund, \$207,999 and other revolving funds, \$550,000. The funds noted are among the larger of this type. In aggregate, they are not apt to total over \$5 million.

States have been the source of loan funds to a greater extent than is true for local governments. However, even in these instances, the

¹ "Municipal Year Book," 1959, p. 211.