

GOVERNMENTAL DEBT IN THE UNITED STATES: 1942

Summary

December 21, 1942

The total volume of State and local government debt outstanding as of June 30, 1942 is estimated at \$19,643 million. This figure represents a reduction of \$540 million, or 2.7 percent, during the preceding twelve months, in comparison with the slight reduction of \$42 million effected in the preceding year, and the cumulative increase of \$663 million in the predefense period 1932-1940. The marked downward swing in nonfederal public debt was completely overshadowed, however, by the rapidly mounting Federal debt.

Total Public Debt

With the addition of the Federal public debt of \$72,495 million, exclusive of indebtedness of corporations and agencies of the United States and of Federal debt incurred after June 30, 1942, the total public debt—Federal, State, and local—aggregated \$92,138 million, as shown in figure 1. This total is equivalent to \$688 for each man, woman, and child in the United States. Of this amount, the per capita Federal debt comprised \$541, or \$20 more than the total per capita public debt of the previous year, while the State and local share was only \$147, as portrayed in figure 2. Comparative statistics tracing the movement of per capita public debt since the turn of the century are presented in table 1, and supporting data are presented in greater detail in table 2.

Current Debt Trends

Public debt behavior in the 1942 fiscal year reflected the intermediate phase of the

transition of the nation to an all-out war economy. During the 1942 fiscal year, the Federal debt surged upward at an average rate of \$2 billion a month. Through October, 1942 appropriations directly connected with the defense and war programs, including Lend-Lease aid, aggregated \$225 billion. However, less than one-sixth of this authorized expenditure had been spent by June 30, 1942. At the present time, war outlays are being made at the rate of more than \$5 billion per month, with a higher rate expected in the immediate future. Under the impetus of current outlays, the direct Federal debt had passed the \$95 billion mark in the latter part of November—approximately four times as high as the debt peak of World War I—and according to official estimates it may soar to \$140 billion by June 30, 1943.

War conditions affect State and local government debt behavior in a different and far less spectacular manner. Unprecedented expansion of the national economy is reflected in higher tax collections and nontax revenues.

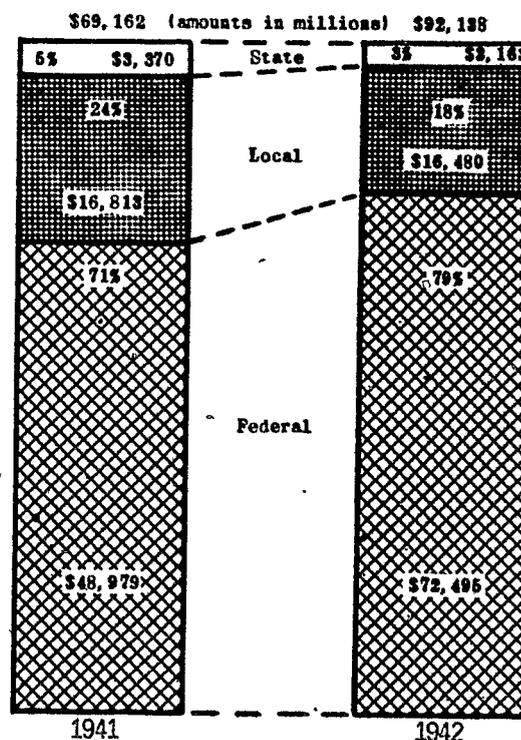


FIG. 1.—TOTAL PUBLIC DEBT IN THE UNITED STATES: JUNE 30, 1941-1942

Note: Continuing the annual series of Nation-wide surveys on the subject of public debt, inaugurated by the Bureau of the Census in 1940, this report presents summary statistics of public debt in the United States as of June 30, 1942, classified by selected debt categories and by types of government. For detailed data with respect to indebtedness of States and large cities, see the companion reports on this subject—*State Finances: 1942*, Vol. 2, No. 3, "State Debt", and *City Finances: 1942*, Vol. 2, No. 2, "City Debt: June 30, 1942." Later reports of the *Census of Governments: 1942* series will present detailed information with respect to indebtedness of individual public units.

The phenomenal growth of the armed services and war industries has virtually terminated the need for public assistance to employables and has sharply curtailed expenditures for relief of unemployables in many areas.

In addition to the factors which lead to curtailment of deficit financing and positive improvement in the financial conditions of State and local governments, other influences produce immediate, although possibly only temporary, improvement in the debt position of the nonfederal public units. Priority regulations, shortages of labor and materials, and rising price levels tend toward drastic curtailment of capital outlays for new construction and consequent deferment of debt issuance so far as possible until after the war.

Finally, it may be noted that public officials and citizens are generally cooperating in the nationwide programs to combat inflation in the war period and to provide for economic readjustments in the postwar period. Important elements in these programs are the postponement of nonessential public works for the duration, acceleration of debt retirement, and accumulation of reserves, both for debt retirement and for postwar construction. Examples of definite action along these lines are found in the creation by the State of New York of a postwar construction fund from proceeds of grade-crossing elimination bonds issued prior to the outbreak of war; and investment by the State of Virginia of surplus funds in Federal securities to provide reserves for liquidation of the State debt as outstanding obligations become redeemable.

There are, of course, a number of factors which operate to necessitate debt expansion in certain local sections. Housing, water supply, sanitary facilities, and other essential services must be provided for the influx

TABLE 1.--PER CAPITA FEDERAL AND STATE AND LOCAL GOVERNMENT DEBT: SELECTED YEARS 1902 - 1942

Year	Total		Federal		State and local	
	Amount	Percent change	Amount	Percent change	Amount	Percent change
1942	\$687.77	32.1	\$541.15	46.7	\$146.62	-3.5
1941	520.73	8.7	368.77	13.2	151.96	-9
1940	478.92	10.6	325.65	15.6	153.27	1.2
1937	433.21	38.6	281.82	80.7	151.39	-3.3
1932	312.46	3.3	155.93	-25.4	156.53	67.7
1922	302.35	405.2	209.01	1565.4	93.34	97.3
1912	59.85	40.8	12.55	-15.4	47.30	71.0
1902	42.50	---	14.84	---	27.66	---

Note: Based on Bureau of the Census population estimates for the continental United States as of July 1 for each of the specified years, except 1941 and 1942. The 1941 and 1942 figures are based on the corresponding population estimates as of April 1, 1941 and January 1, 1942, respectively.

of war workers in the defense areas. Moreover, local indebtedness frequently is incurred to finance the acquisition of existing facilities, such as electric light and power systems, transit systems, and other utilities which have been privately owned and operated. Examples are found in the New York City transit unification program which was completed in the past year, and in the issue of approximately \$18 million in bonds during the 1942 fiscal year by the City of Cleveland, Ohio, to finance the acquisition of the privately-owned transit system.

Despite the reduction of highway-user revenues resulting from automotive gasoline, and tire rationing, essential highways must be maintained. In this connection, it may be noted that many local units are dependent, either wholly or in a large measure, upon toll bridge charges or upon State allocations of gasoline taxes to provide funds for debt service on a large volume of bridge and highway bonds. Contributing indirectly to the financial difficulties of some of the local units is the virtual termination of Federal aid for highways, other than for "defense

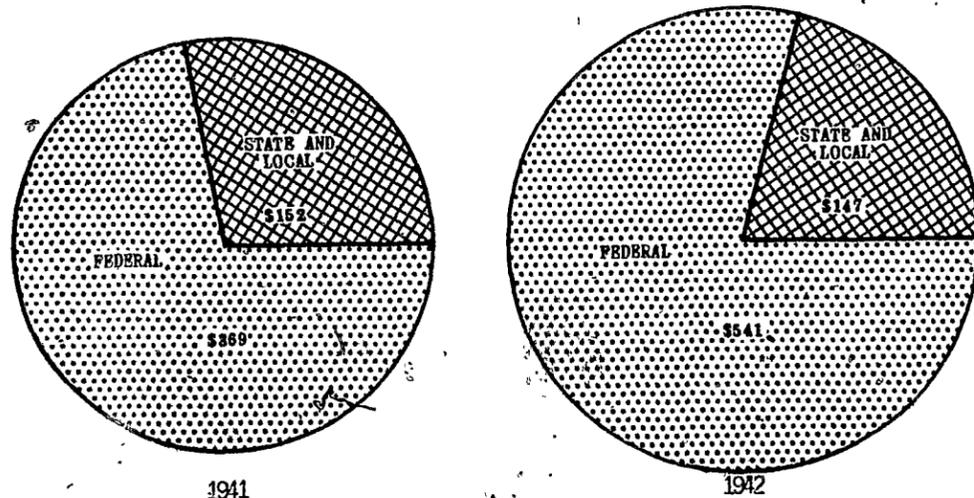


FIG. 2.--PER CAPITA TOTAL PUBLIC DEBT IN THE UNITED STATES: JUNE 30, 1941 AND 1942

highways." Although such funds were never available for debt service, they were an important source of revenue of the various State highway departments, and enabled the States to provide substantial assistance to local units from the States' own revenue sources. Finally, it may be noted that rising costs and war restrictions imposed on the private economy have resulted in serious economic dislocations in a number of communities which have not been able to adapt the local resources to essential production connected with war requirements.

present separately, statistics with respect to "special-specials"--i.e. obligations payable exclusively from special assessments on benefited property. This plan of presentation is illustrated in table 3. However, in order to facilitate historical comparison with data now available for earlier years, "special-specials" are combined with other debt categories in the presentation of time trend data in this report, as shown in table 4.

Exclusion of "State loans to local units." Attention also is directed to the exclusion of "State loans to local units" in statistics of State debt and total public debt. As of June 30, 1942, State obligations outstanding which were incurred for reloan to local units and which were offset by local obligations held by States amounted to \$48 million. The local obligations of the same amount are included in local debt. Under the reporting procedure of the Bureau of the Census, the State obligations incurred for reloan are included in debt statistics of the individual States, and the local obligations held by the States are included in statistics with respect to sinking funds and other debt offsets. However, in presenting aggregate figures of

Summary of State and Local Government Debt

Statistics of State and local government debt as of June 30, 1942, classified by types of public units, and by selected debt categories, are presented in tables 3 and 4.

Special-special assessment obligations. It will be noted that the total volume of State and local debt outstanding, including special-special assessment obligations, amounted to \$19,643 million. The Bureau of the Census debt classification has been revised within the past year to segregate, and

TABLE 2.--FEDERAL, STATE, AND LOCAL GOVERNMENT DEBT: SELECTED YEARS 1902 - 1942

(Amounts in millions)

Year	Total	FEDERAL		STATE AND LOCAL					
		Amount ^{1/}	Percent of total	Total		State ^{2/}		Local ^{3/}	
				Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
1942	\$2,138	\$72,495	78.7	\$19,643	21.3	\$3,163	3.4	\$16,480	17.9
1941	69,162	48,979	70.8	20,183	29.2	3,370	4.9	16,813	24.3
1940	63,196	42,971	68.0	20,225	32.0	3,505	5.5	16,720	26.5
1937	55,996	36,427	65.1	19,569	34.9	3,260	5.8	16,309	29.1
1932	39,049	19,487	49.9	19,563	50.1	2,882	7.4	16,681	42.7
1922	33,219	22,964	69.1	10,255	30.9	1,163	3.5	9,092	27.4
1912	5,692	1,194	21.0	4,498	79.0	423	7.4	4,075	71.6
1902	3,373	1,178	34.9	2,195	65.1	270	8.0	1,925	57.1

^{1/} On basis of United States Treasury, Statement of the Public Debt as of June 30 for the specified years. Additional to the cited direct Federal debt are the liabilities of governmental corporations and credit agencies of the United States. As of June 30, 1942, these liabilities comprised \$4,587 million guaranteed obligations and \$5,420 million nonguaranteed obligations--a total of \$10,007 million. Assets of the instrumentalities amounted to \$18,964 million. Also excluded is territorial debt, amounting to approximately \$150 million.

^{2/} Excludes State debt incurred for reloan to local units which duplicates obligations of local governments held by State governments.

^{3/} Gross debt, including special-special assessment obligations.

State debt and total public debt, as in this report, the State obligations incurred for reloan and the local obligations held by the States are excluded from statistics of State debt, and of debt offsets, to avoid overstatement of aggregate State and local government debt.

Gross Debt, Excluding "Special-specials"

Long- and short-term debt. Gross debt, excluding "special-specials," amounted to \$19,467 million. Of this total, \$18,469 million was comprised of long-term debt--including interest-bearing and noninterest-bearing obligations payable more than one year after date of issue--and short-term loans accounted for only 5 percent, or \$998 million.

Debt offsets and net long-term debt. Assets of sinking funds, of refunding bond funds, and of other funds reserved for redemption of long-term debt aggregated \$1,970 million. After deduction of these debt offsets, net long-term debt amounted to \$16,499 million. This figure is equivalent, to 89 percent of total long-term debt outstanding, or 85 percent of aggregate gross debt.

Special-special assessment obligations. Of the \$176 million special-specials outstanding, 73 percent was issued by municipalities, either directly or through the medium of dependent municipal improvement districts. More than \$46 million was issued by independent special districts, and less than \$200 thousand was reported by counties.

Gross Debt, Including "Special-specials"

In tables 5 and 6, "special-specials" are included in total debt to facilitate presentation of data with respect to time trends.

Debt distribution. Municipalities--cities, towns, villages, boroughs, and townships--accounted for more than 51 percent of the total State and local government debt outstanding in 1942, as shown in table 5. More than 42 percent was accounted for by the 410 municipalities having populations over 25,000,^{1/} and 29 percent was concentrated in

^{1/} See *City Finances: 1942*, Vol. 2, No. 2, for current debt statistics of cities having populations of more than 25,000.

TABLE 3.--STATE AND LOCAL GOVERNMENT DEBT, EXCLUDING SPECIAL-SPECIAL ASSESSMENT OBLIGATIONS, BY TERM OF OBLIGATIONS, BY ASSETS AND NET LONG-TERM DEBT, AND BY TYPE OF GOVERNMENT: JUNE 30, 1942

(amounts in thousands)

Type of government	Gross debt (Excluding special-special assessment obligations)			Sinking funds and other offsets to long-term debt	Net long-term debt	Special-special assessment obligations
	Total	Long-term	Short-term			
Total	\$19,467,048	\$18,469,409	\$997,639	\$1,970,128	\$16,499,281	\$175,575
States ^{1/}	3,163,075	3,019,185	143,890	455,559	2,563,626	—
Counties	1,845,983	1,767,510	78,473	116,472	1,651,038	200
Municipalities ^{2/}	9,950,202	9,594,951	355,251	1,196,624	8,398,327	129,065
School Districts	1,701,308	1,625,692	75,616	139,235	1,486,457	—
Special Districts	2,806,480	2,462,071	344,409	62,238	2,399,833	46,310

^{1/} Excludes State debt incurred for reloan to local units which duplicates local government obligations held by State governments; also excludes corresponding debt offsets.

^{2/} Includes cities, towns, boroughs, villages, and townships.

the 19 cities having gross debt (including "special-specials") of over \$50 million. New York City alone accounted for \$3,117 million, representing 31 percent of total municipal debt, or 15.8 percent of aggregate State and local government debt. Next in order of size or gross debt were the 48 States, with total gross debt of \$3,163 million, or 16.1 percent, followed by the special districts and authorities, 14.5 percent; counties, 9.4 percent; and school districts, 8.7 percent.

Gross Debt Less Sinking Funds

In terms of gross debt less sinking funds--i.e. "total net debt," after deduction of all funds specifically reserved for debt redemption--the ranking with respect to debt distribution was similar, as shown in table 6, although the proportions represented by State debt and city debt were slightly lower because of the more common practice of maintaining sinking funds or other reserve funds for debt redemption in these units. In turn, this reflects to some extent the greater use of fixed-term (or "sinking-fund") bonds in the States and certain of the larger cities, than in other types of units. Conversely, the rise in the proportion of special district debt reflects the more common use of serial bonds by these units, even in the case of the larger special authorities.

Debt Changes: 1941-1942

Debt reduction, both in terms of gross debt and gross debt less debt offsets, was reported generally by nearly all of the units covered in the current debt survey. Notable exception to the common trend was found in the local housing authorities. The aggregate increase of \$117 million in the gross debt of these units alone was sufficient to counterbalance the decreases effected by all other types of districts, and to raise the total special district debt to a new all-time high of \$2,853 million. Measured in amounts, the largest reduction in gross debt was effected by the States, although the county debt decrease of \$200 million was only slightly smaller. Together, these two classes of units accounted for nearly four-fifths of the net decrease in total gross debt.

Proportionally, the county debt reduction of 9.8 percent was substantially larger than that of any other class of public units. An important factor in the consistently high rate of county debt retirement during the past decade has been the outright assumption of a substantial amount of county bonds issued for highway purposes; through refunding operations, as in Arkansas, or by an exchange of State bonds for county bonds, as in Tennessee. In addition, a number of States have assumed responsibility for debt service on all, or on a substantial portion, of county highway bonds. Such obligations are classified as county debt,

TABLE 4.--STATE AND LOCAL GOVERNMENT DEBT, INCLUDING SPECIAL-SPECIAL ASSESSMENT OBLIGATIONS, BY LIABILITY FOR INTEREST, BY ASSETS AND NET LIABILITIES, AND BY TYPE OF GOVERNMENT: JUNE 30, 1942

(Amounts in thousands)

Type of government	Gross debt, including "special-specials"					Sinking funds and other debt offsets	Gross debt less sinking funds
	Total	Interest-bearing			Non-interest-bearing		
		Total	Long-term	Short-term			
Total	\$19,642,623	\$19,330,795	\$18,364,213	\$966,582	\$311,828	\$1,970,128	\$17,672,495
State ^{1/}	3,163,075	3,147,049	3,003,159	143,890	16,026	455,559	2,707,516
County	1,846,183	1,835,573	1,765,288	70,285	10,610	116,472	1,729,711
Municipal ^{2/}	10,079,267	10,055,438	9,710,955	344,483	23,829	1,196,624	8,882,643
School District	1,701,308	1,701,308	1,625,692	75,616	—	139,235	1,562,073
Special District	2,852,790	2,591,427	2,259,119	332,308	261,363	62,238	2,790,552

^{1/} Excludes State debt incurred for reloan to local units which duplicates local government debt obligations held by State governments; also excludes corresponding debt offsets.

^{2/} Includes cities, towns, villages, boroughs, and townships.

rather than State debt. Examples of the latter practice are found in the case of the States of Texas and Iowa, which at the beginning of the 1942 fiscal year were providing for interest charges and for retirement of principal, as obligations mature, on county debt of approximately \$80 million, and \$55 million, respectively. As of June 30, 1941, the total amount of county debt being serviced by the States amounted to approximately \$250 million. Exact figures are not now available with respect to developments in this field within the past year. However, available data indicate that State redemption of county bonds during the 1942 fiscal year amounted to from \$30 million to \$40 million. In this connection, it may be noted that as of September 30, 1941, debt service on approximately \$114 million of county and special district road bonds was being administered by the Board of Administration of the State of Florida; in part from State gasoline tax revenues, and in part from local government funds and revenues. Under terms of recently enacted legislation, the amount of such obligations made "eligible" for assumption of debt service from State revenues was substantially increased from the \$31 million figure reported in 1941.

The small rate of reduction effected by municipalities is explained by the relatively slight decreases reported by the large metropolitan centers. New York City, which accounts for more than one-third of total municipal debt, reported a decrease of only \$19 million. Even among the larger cities, the general debt trend was downward, but debt expansion by a small number of cities—primarily to finance the acquisition of utilities, or to improve existing services—tends to conceal the substantial debt reduction effected by the majority of municipalities.

Similarly, exceptional debt increases of a relatively small number of major debt-incurring special districts and authorities has pushed the aggregate debt of special districts consistently upward during the past decade, despite the very substantial rate of debt reduction maintained in recent years by a very large number of relatively small debt-incurring units. Indebtedness of the local housing authorities rose from \$534 million in 1941 to \$651 million in 1942. Failure of these units to conform to the debt behavior pattern of other local governments is explained by the peculiar role assumed by many of the developments in providing defense housing in the rapidly expanding war production centers. Exclusive of the indebtedness of these special authorities, gross debt of the other special districts decreased approximately \$34 million, or 1.5 percent.

Additional explanation of the 75 percent increase in special district debt during the decade is found in the growth in popularity of the authority as a device, not only to

provide services and facilities of unusual character and large magnitude (as in the case of the Metropolitan Water District of Southern California, the Triborough Bridge Authority of New York, and the various large electric power districts), but also to provide local utility services, as in the case of the numerous municipal authorities recently created in the State of Pennsylvania. Approximately \$650 million of the debt reported by public officials in the current debt survey was accounted for by special districts which have been created since 1932, or for which no debt was reported in connection with the census of governments in 1932.

Gross debt less sinking funds. Gross debt less sinking funds is a useful measure of the debt position of public borrowers because it represents the total net debt for which provision must be made for redemption over a period of time. It also is a significant index for tracing time trends, since an apparent increase or decrease in debt, measured in terms of gross debt, may be counterbalanced by decreases or increases in sinking funds or other debt offsets. Illustration of this is found in the decrease in total assets of sinking funds from \$2,033 million in 1941 to \$1,970 million in 1942. As a result, the debt changes noted above, when translated into terms of "net total debt," as shown in table 6, are less favorable for certain classes of units and, to a slight extent, for State and local units in the aggregate.

Interest-bearing Securities

Total State and local government interest-bearing securities outstanding on June 30, 1942, aggregating \$19,379 million, represented a reduction of \$481 million, or 2.4 percent, from the corresponding figure as of June 30, 1941. Net decreases in interest-bearing obligations are particularly significant, since they result in savings in interest costs in addition to improvement of the debt position of the public units affected. On the basis of average interest payments on nonfederal public debt during the past year, the annual savings in interest charges resulting from the debt reduction of the 1942 fiscal year will amount to approximately \$20 million.

Summary statistics of State and local government interest-bearing securities outstanding as of June 30, 1942 are presented in summary form in table 7, and are shown in greater detail in other tables cited in this recapitulation. Historical data with respect to this subject and brief discussions of the tax-exempt feature of governmental securities may be found in the reports of the annual debt surveys of 1940 and 1941. ^{2/} As a footnote to these discussions, it may be stated

^{2/} Bureau of the Census, State and Local Government Debt, 1940 and 1941 reports.

TABLE 5.--STATE AND LOCAL GOVERNMENT GROSS DEBT, (INCLUDING SPECIAL-SPECIAL ASSESSMENT OBLIGATIONS), BY TYPE OF GOVERNMENT: SELECTED YEARS 1902 - 1942

(Amounts in thousands)

Year	Total	State ^{1/}	County	Municipal ^{2/}	School district	Special district
1942	\$19,642,623	\$3,163,075	\$1,846,183	\$10,079,267	\$1,701,308	\$2,852,790
1941	20,182,739	3,370,043	2,045,957	10,209,356	1,787,241	2,770,142
1940	20,225,070	3,505,386	2,155,817	10,188,718	1,813,360	2,561,789
1932	19,562,325	2,881,758	2,531,456	10,341,728	2,176,313	1,631,070
1922	10,255,458	1,163,651	1,386,916	5,939,523	1,126,912	639,456
1912	4,497,949	422,797	393,279	3,526,815	118,900	36,158
1902	2,195,026	270,190	204,973	1,668,306	46,188	5,370
Percent of total						
1942	100.0	16.1	9.4	51.3	8.7	14.5
1941	100.0	16.7	10.1	50.6	8.9	13.7
1940	100.0	17.3	10.7	50.3	9.0	12.7
1932	100.0	14.7	13.0	52.9	11.1	8.3
1922	100.0	11.3	13.5	58.0	11.0	6.2
1912	100.0	9.4	8.7	78.4	2.6	.8
1902	100.0	12.3	9.3	76.0	2.1	.3
Percent change						
1941-42	-2.7	-6.1	-9.8	-1.3	-4.6	3.0
1940-41	-.2	-3.9	-5.1	0.2	-1.4	8.1
1932-42	0.4	9.8	-27.1	-2.5	-21.8	74.9
1922-32	90.8	147.9	82.5	74.1	93.1	155.1
1912-22	128.0	175.0	252.7	68.4	847.8	1668.5
1902-12	104.9	56.5	91.9	111.4	157.4	573.3

^{1/} Excludes State loans to local units.

^{2/} Includes cities, towns, villages, boroughs, and townships.

TABLE 6.--STATE AND LOCAL GOVERNMENT GROSS DEBT LESS SINKING FUND ASSETS, BY TYPE OF GOVERNMENT: SELECTED YEARS 1902 - 1942^{1/}

(Amounts in thousands)

Year	Total	State ^{2/}	County	Municipal ^{3/}	School district	Special district
1942	\$17,672,495	\$2,707,516	\$1,729,711	\$8,882,643	\$1,562,073	\$2,790,552
1941	18,149,534	2,834,330	1,883,133	9,019,566	1,691,385	2,721,120
1940	18,182,790	2,949,231	2,011,512	9,012,133	1,705,237	2,504,677
1932	17,698,176	2,482,295	2,390,830	9,185,068	2,039,852	1,599,131
1922	8,689,740	935,544	1,273,276	4,802,827	1,052,935	625,658
1912	3,821,896	345,942	371,600	2,949,731	118,900	35,723
1902	1,865,035	234,965	196,565	1,381,997	46,188	5,320
Percent of total						
1942	100.0	15.3	9.8	50.3	8.8	15.8
1941	100.0	15.6	10.4	49.7	9.3	15.0
1940	100.0	16.2	11.1	49.5	9.4	13.8
1932	100.0	14.0	13.5	52.0	11.5	9.0
1922	100.0	10.8	14.7	55.2	12.1	7.2
1912	100.0	9.1	9.7	77.2	3.1	.9
1902	100.0	12.6	10.5	74.1	2.5	.3
Percent change						
1941-42	-2.6	-4.5	-8.1	-1.5	-7.6	2.6
1940-41	-.2	-3.9	-6.4	.1	-.8	8.6
1932-42	-0.1	9.1	-27.7	-3.3	-23.4	74.5
1922-32	103.7	165.3	87.8	91.3	93.7	155.6
1912-22	127.4	170.4	242.7	62.8	785.6	1651.4
1902-12	104.9	47.2	89.1	113.4	157.4	571.5

^{1/} Includes special-special assessment obligations.

^{2/} Excludes State loans to local units.

^{3/} Includes cities, towns, villages, boroughs, and townships.

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that additional increases in rates of Federal income taxes, coupled with gradual contraction of the total volume of tax-exempt securities available for private investment has further enhanced the market value of long-term tax-exempt obligations—particularly those which are not callable.

Interest Payments

Total interest payments on State and local government debt during the 1942 fiscal year, excluding interest paid on "special-specials," are estimated at \$711 million. Interest paid on long-term debt accounted for \$699 million, or 98 percent of the total.

The relation of interest paid on long-term debt, as shown in table 8, to total long-term interest-bearing debt outstanding, as shown in tables 10 and 11, provides a ready method of measurement of interest costs of the various classes of nonfederal public borrowers. Simple computations of such "interest-to-debt ratios" do not take into account the premiums received or discounts allowed in connection with the floatation of securities, and hence they do not provide an exact measurement of net costs computed on a net yield basis. Moreover, although such ratios are suggestive of coupon rates prevailing on outstanding debt, they are based on actual interest payments and are likely to differ somewhat from

TABLE 8.--INTEREST PAYMENTS ON STATE AND LOCAL GOVERNMENT DEBT, BY TYPE OF GOVERNMENT: FISCAL YEAR ENDED JUNE 30, 1942
(amounts in thousands)

Type of government	Total interest payments	Interest paid on long-term debt	Interest paid on short-term debt
Total	\$710,534	\$699,061	\$11,473
State	114,457	113,023	1,434
County	72,696	71,353	1,343
Municipal ^{2/}	367,096	364,000	3,096
School District	71,634	70,123	1,511
Special District	84,651	80,262	4,389

^{1/} Excludes interest payments on special-special assessment obligations; includes interest payments on State debt incurred for reloan to local units, not segregated, estimated as follows: on \$34,229 thousand long-term obligations, approximately \$125 thousand; on \$13,560 thousand short-term loans, approximately \$24 thousand.

^{2/} Includes cities, towns, villages, boroughs, and townships.

such coupon rates, unless debt changes during the year, interest changes, and other factors are taken into account.

With these and other limitations in mind, it may be noted that the proportion of total interest payments on long-term interest-bearing debt to the corresponding debt was 3.84 percent. The similar interest-to-debt ratios for the various public units, by types of government, ranged from 3.63 for special districts and authorities to 4.33 for school districts. The actual spread of interest rates between these two classes of public units is probably somewhat narrower than is indicated by these ratios, since special district debt increased 3 percent during the year, while county debt decreased approximately 5 percent. The similar ratios for other classes of units were: States, 3.76; municipalities, 3.80; and counties, 4.04. The unusually large decline in county debt, of approximately 10 percent, indicates that there is a pronounced upward bias in the county interest-to-debt ratio. If the average long-term interest-bearing debt outstanding during the 1942 fiscal year, i.e. the midpoint between the debt outstanding at the beginning and at the end of the period—is substituted for end-of-year debt, the interest-to-debt ratios are as follows: States, 3.67; special districts, 3.73; municipalities, 3.78; counties, 3.86; and school districts, 4.28. For

all nonfederal public units, the similar ratio of aggregate interest payments to total debt is 3.81. These figures make rough allowance for debt changes during the year and probably are nearer the actual averages of coupon rates than in the case of the ratios computed on the basis of end-of-year debt.

Statistics of total interest payments on State and local government debt, combining interest paid on "special-specials" with interest paid on both long- and short-term debt to facilitate historical comparisons with data now readily available for prior years, are presented in table 9.

Interest paid on "special-specials" during the 1942 fiscal year amounted to approximately \$8 million. Including such payments, total interest paid on State and local debt amounted to \$718 million. This figure represents a reduction of 7.2 percent from the corresponding interest costs of 1941, as shown in table 9, in comparison with the smaller decrease of 2.7 percent in total debt, as shown in table 5. Similarly, the annual interest costs in 1942 were \$126 million (or 14.9 percent) lower than in 1932, although gross debt outstanding in 1942 was slightly higher than in 1932. These statistics reflect the unusually favorable market conditions which have prevailed in recent years in connection with the sales of tax-exempt securities. Many units have refunded all or a substantial portion of their high-interest bonds (which were issued in earlier years) at extremely low rates of interest. Such refunding operations have been particularly heavy in

the past two years, and present market conditions afford an opportunity for similar refunding in the current year.

Debt Liability by Character of Obligation

Distribution of long-term interest-bearing debt (excluding "special-specials") is shown in table 10, and additional detail with respect to debt liability of local governments, by type of government, is provided in table 11.

The Bureau of the Census debt classification has been revised within the past year to include two additional categories of debt obligations—"quasi-revenue bonds" and "other (long-term) special obligations." Prior to adoption of the revised classification, the obligations which now fall within either of these categories were classified as general obligation bonds. Data required to revise the statistics of debt liability as of prior years to conform with the present debt classification are not now available for a considerable number of public units. Moreover, the figures presented herein are preliminary estimates based on a mail survey, and are subject to revision when more complete information is made available from the field surveys now being conducted in connection with the Census of Governments in 1942. For these reasons, and to permit early release of these estimates, neither analysis nor historical information with respect to character of obligations is included in this summary debt report. However, brief explanation of the various debt categories is provided below.

TABLE 7.--STATE AND LOCAL GOVERNMENT INTEREST-BEARING SECURITIES OUTSTANDING: JUNE 30, 1942
(amounts in thousands)

Item	Total	Long-term	Short-term
Total interest-bearing securities.....	\$19,378,585	\$18,398,442	\$980,142
State loans to local units....	47,789	34,229	13,560
Total interest-bearing debt, including "special-specials" ^{1/}	19,330,795	18,364,213	966,582
Special-special assessment obligations ^{2/} ...	175,575	175,575	—
Total interest-bearing debt, excluding "special-specials".	19,155,220	18,188,638	966,582

^{1/} See table 4. ^{2/} See table 3.
^{3/} See tables 10 and 11. ^{4/} See table 4.

TABLE 9.--ANNUAL INTEREST PAYMENTS ON STATE AND LOCAL GOVERNMENT DEBT, INCLUDING INTEREST ON "SPECIAL-SPECIALS," BY TYPE OF GOVERNMENT: SELECTED YEARS 1932-1942
(amounts in millions)

Type of Government	Interest payments				Percent change		
	1942	1941	1937	1932	1941-1942	1937-1942	1932-1942
Total	\$718	\$774	\$795	\$844	-7.2	-9.7	-14.9
State	114	120	119	112	-5.0	-4.2	1.8
County	73	86	106	119	-15.1	-31.1	-38.7
Municipal ^{1/}	372	398	402	441	-6.5	-7.5	-15.6
School District	72	83	88	109	-13.3	-18.2	-33.9
Special District	87	87	80	63	—	8.8	38.1

^{1/} Includes cities, towns, villages, boroughs, and townships.

General obligation bonds. Included in this category are all fixed-term and serial bonds that bear a pledge of the full faith and credit of the public unit, and similar debt instruments that are fully guaranteed. Such obligations are in some cases designated locally as "time warrants," "certificates of indebtedness," or "serial notes." However, it is to be noted that contingent special assessment obligations are not classified as general obligation bonds.

Contingent special assessment obligations. This category segregates and presents separately data with respect to obligations that are payable primarily from special assessments upon benefited property, and that also are guaranteed by the local government which issued the debt instruments. In previous decennial reports, data pertaining to special assessment obligations--both "contingent" obligations and "special-specials"--were classified in the same category, without segregation.

Revenue bonds. This debt category is narrowly defined to include only those obligations that are issued in connection with the financing of self-supporting enterprises or activities and that are payable exclusively from earnings or charges of such revenue-producing enterprises or services. There is, of course, a considerable volume of public debt outstanding on which all or a substantial portion of debt service costs is regularly provided from enterprise earnings but which also bears a pledge of the general credit of

the public unit. Such obligations are classified as general obligation bonds, even though certain specified revenues also may be pledged for payment of interest and debt retirement costs. Data with respect to the proportions of general obligation bonds which are self-supporting are now being collected in connection with the Census of Governments in 1942.

Quasi-revenue bonds. These obligations are similar to revenue bonds in two respects: they are payable exclusively from specified revenues or special funds; and they do not bear a pledge of the full faith and credit of the government which issues them, either directly or through the medium of semi-independent departments or agencies. Such obligations differ from revenue bonds in one significant characteristic, in that they are payable from special earmarked taxes or funds (such as gasoline taxes or school land fund revenues), rather than from actual earnings of self-supporting activities. This debt category was adopted primarily to provide for segregation of certain special types of debt obligations of State governments. Examples are found in the gasoline tax anticipation obligations that have been issued by the States of Colorado, New Mexico, Mississippi, and others; and in the obligations of the General Authority of the State of Pennsylvania. Debt service on the latter obligations is provided from "rentals" paid to the authority on buildings constructed by this State instrumentality for the use of the parent State.

TABLE 10.--STATE AND LOCAL GOVERNMENT LONG-TERM INTEREST-BEARING DEBT, BY CHARACTER OF OBLIGATION: JUNE 30, 1942

(amounts in thousands)

Character of obligation	Total		State		Local	
	Amount	Per-cent	Amount	Per-cent	Amount	Per-cent
Total (excluding "special-specials")	\$18,188,638	100.0	\$3,003,159	100.0	\$15,185,479	100.0
General obligation bonds	15,686,631	86.2	2,475,760	82.4	13,210,871	87.0
Revenue bonds	1,640,878	9.0	206,495	6.9	1,434,383	9.4
Contingent special assessment obligations	467,215	2.6	—	—	467,215	3.1
Quasi-revenue bonds	252,057	1.4	211,953	7.1	40,104	0.3
State contingent debt ^{1/}	83,605	0.5	83,605	2.8	—	—
Other special obligations	58,252	0.3	25,346	.8	32,906	0.2

^{1/} Excludes State loans to local units.

Debt serviced by local units. This category is comprised of two distinct types of State obligations on which payments to the States for interest costs and debt retirement are being made by local governments. Of the \$118 million long-term debt of this class outstanding on June 30, 1942, \$34 million consisted of State bonds issued for the specific purpose of providing State loans to local units. The remainder was comprised of State obligations issued on behalf of local government units ("contingent State debt"), for which the States require reimbursement for debt service--but which are not duplicated by local obligations issued to the States, as in the case of "State loans to local units."

Other special obligations. Included in this category are various types of indebtedness that do not fall within the principal debt categories, such as State debt to trust funds (e.g. the irreducible debt of Alabama and Ohio), long-term judgments, and mortgages.

Special-special assessment obligations. Attention has been directed above (page 3) to the recent revision of the Bureau of the Census procedure which provides for segregation of "special-specials"--obligations payable exclusively from special assessments on benefited property, and not guaranteed by the public unit--from statistics of gross debt, and separate presentation of available pertinent data as exhibit items. In the usual case, "special-specials" are issued by dependent local improvement districts of city corporations; and frequently, the parent corporation does not maintain central accounts with respect to such obligations. In addition, a considerable volume of "special-specials" has been issued by a very large number of independent special districts. In either case, difficulties involved in the collection of required data preclude the presentation of statistics of "special-specials" of individual public units on a comparable basis.

Moreover, the presentation of pertinent data, by classes of public units, or by aggregate State or Nationwide totals, presents unusual difficulties. Finally, it may be noted that the new procedure not only provides for the presentation of such data pertaining to "special-specials" as may be made available, but also presents data relating to the other types of debt on a basis which facilitates comparison with debt statistics as reported by most of the individual public units. In exception to this procedure, as stated above, "special-specials" are combined with "gross debt" in the presentation of historical statistics of "total debt" in this report, to facilitate comparisons with prior years.

Source of Statistics

Current statistics of State and local government debt presented in the Bureau of the Census annual surveys of public debt are based primarily on information supplied by State and local officials in response to an annual mail canvass. This information is supplemented with data from a variety of official sources, including published and unpublished material obtained through the cooperation of State and Federal departments and agencies.

Reports of debt and related information for the fiscal year ended June 30, 1942 were assembled from public units which accounted for approximately 80 percent of the total debt reported in *Financial Statistics of State and Local Governments: 1932*, the latest census on the subject. Similarly, as far as possible, information was obtained with respect to indebtedness of public units created since 1932, or which reported no debt outstanding in the 1932 census. The total volume of such public debt reported in this survey amounted to approximately \$1,300 million, or 6.6 percent of the estimated total State and local government debt as of June 30, 1942.

TABLE 11.--LOCAL GOVERNMENT LONG-TERM INTEREST BEARING DEBT, BY CHARACTER OF OBLIGATION, AND BY TYPE OF GOVERNMENT: JUNE 30, 1942

(amounts in thousands)

Type of government	Total (excluding "special-specials")	General obligation bonds		Revenue bonds		Contingent special assessment obligations		Quasi-revenue and other	
		Amount	Per-cent	Amount	Per-cent	Amount	Per-cent	Amount	Per-cent
Total	\$15,185,479	\$13,210,871	87.0	\$1,434,383	9.4	\$467,215	3.1	\$73,010	0.5
County	1,765,088	1,681,482	95.2	16,887	1.0	47,189	2.7	19,530	1.1
Municipal ^{1/}	9,581,890	8,656,781	90.3	526,862	5.5	360,984	3.8	37,263	0.4
School District	1,625,692	1,625,692	100.0	—	—	—	—	—	—
Special District	2,212,809	1,246,916	56.4	890,634	40.2	59,042	2.7	16,217	0.7

^{1/} Includes cities, towns, villages, and townships.

The debt figures of State governments, counties having more than 100,000 inhabitants, cities having more than 25,000 inhabitants, and other major debt-incurring units are based on universal questionnaire coverage. For the more numerous smaller debt-incurring units for which complete direct inquiry was not feasible, the statistics were estimated by sampling methods on the basis of data reported by selected public units. Whenever possible, verification and adjustment of these estimates was provided on the basis of supplementary data available from official central reporting agencies. Explanation of the procedure may be found in the reports of the 1940 and 1941 public debt surveys, cited above.

Historical data presented in this report are derived from the various decennial censuses on State and local government finances; the annual public debt surveys as of June 30, 1940 and June 30, 1941; and the similar debt survey conducted jointly by the Bureau of the Census and the Treasury Department in 1937. For many years, the Bureau of the Census has presented comprehensive statistics of the finances of State governments and large cities in the annual series--State Finances (formerly designated Financial Statistics of States) and City Finances (formerly designated Financial Statistics of Cities)--on the basis of annual field canvasses. In general, the classification and reporting practices of the debt surveys based on mail canvass conform with the procedures of the comprehensive financial reports based on field compilation. There are, however, three exceptions. First, in the case of the comprehensive reports based on compilations

made in the field, statistics of the finances of public-service enterprises are segregated, and presented separately from the data pertaining to finances of the general governments. Secondly, these data are presented as of the end of the respective fiscal years of each of the individual States and cities, rather than as of June 30 for the specified years, as in the public debt surveys. Thirdly, separation of debt into interest-bearing and noninterest-bearing obligations, is made only in the reports from the mail canvass. For these reasons, and because of the normal limitations of the mail canvass device, data presented in the annual public debt surveys are not entirely comparable with data presented in other reports of the Bureau of the Census.

Explanation of Terms

Explanation of the various debt categories, with particular reference to recent revisions of the Bureau of the Census debt classification, are included in the text of this report. For ease of reference, the forms used in the collection of data for this survey are reproduced on pages 13-15. Abridged definitions of the various debt terms are incorporated in the explanations provided in the forms.

Acknowledgment

The generous cooperation of State and local officials who supplied information for the current debt survey is gratefully acknowledged.

Prepared by Lynden Mannen,
and the Debt Unit of the Financial Examining Section
Division of State and Local Government
E. R. Gray, Chief Statistician

3-37346

- Bureau of the Census -

FORM USED FOR STATE GOVERNMENTS

Decennial Census of Governments: 1942 Preliminary DEPARTMENT OF COMMERCE BUREAU OF THE CENSUS WASHINGTON STATE

Form 60

STATEMENT OF DEBT ON JUNE 30, 1942

Or on _____, 194_, if data are not available as of June 30, 1942.

Please report statistics for all State departments, institutions, and agencies, including all special obligations of the highway department, State bridge commissions and corporations, dormitory corporations of State educational institutions, and similar State instrumentalities.

If data are not readily available to report all requested items in detail, report totals for principal items indicated by heavy entry spaces. (Items 1, 2, 2a, 2b, 3, 4, and 5). Segregated figures for general obligation bonds (item 2a, column A) and applicable offsets (item 2a, column B) are particularly desired in order that net general obligation bonded debt may be computed.

FOR DETAILED EXPLANATION OF ITEMS, SEE REVERSE SIDE OF PAGE

TYPE OF DEBT	DEBT OUTSTANDING	SINKING FUNDS AND OTHER DEBT OFFSETS
1. SHORT-TERM INTEREST-BEARING DEBT (1 year or less)		
2. LONG-TERM INTEREST-BEARING DEBT-TOTAL (over 1 year)		
a. GENERAL OBLIGATION BONDS (full faith and credit)		
(1) REVENUE BONDS (payable exclusively from earnings)		
(2) QUASI-REVENUE BONDS (payable exclusively from "earmarked" taxes or funds)		
(3) DEBT SERVICED BY LOCAL UNITS		
(4)		
(5)		
(6)		
3. NONINTEREST-BEARING DEBT		
a. SHORT-TERM		
b. LONG-TERM		
4. TOTAL GROSS DEBT		

INTEREST PAID ON DEBT DURING LAST FISCAL YEAR:

FISCAL YEAR ENDED	194
5. TOTAL INTEREST PAYMENTS (sum of 5a and 5b)	
a. INTEREST PAID ON SHORT-TERM DEBT	
b. INTEREST PAID ON LONG-TERM DEBT	

Data supplied by:
Title _____
Address _____

FORM USED FOR STATE GOVERNMENTS (p. 2)

EXPLANATION OF DEBT CLASSIFICATION

Form 60

DEBT OUTSTANDING. Report in column A, for each item, debt outstanding on June 30, 1942, or as of the latest date for which figures are available.

SINKING FUNDS AND OTHER OFFSETS. Report in column B, for each item indicated by an entry space, total assets of sinking funds, unexpended balances of refunding bond funds, and other funds reserved for debt redemption. Report securities at par value. Do not include uncollected taxes or other unrealized assets.

1. SHORT-TERM INTEREST-BEARING DEBT. Obligations that mature not later than one year after issue, or that have no fixed maturity date and are payable from taxes levied in the year the obligations are incurred. Include tax and bond anticipation warrants, short-term notes, short-term judgments, and other temporary loans.

2. LONG-TERM INTEREST-BEARING DEBT. Fixed term and serial bonds, and other obligations with a redemption date later than one year after issue.

a. GENERAL OBLIGATION BONDS. Full faith and credit bonds. Include obligations payable from specific earnings or other revenues which also bear a pledge of the general credit of the State.

b. SPECIAL LONG-TERM OBLIGATIONS. Long-term interest-bearing obligations other than general obligation bonds.

(1) REVENUE BONDS. Obligations that must be paid exclusively from earnings or charges of income-producing enterprises. without recourse to tax revenues, even if revenue from charges should be insufficient to meet debt service.

(2) QUASI-REVENUE BONDS. Obligations that must be paid exclusively from revenues, other than revenues of income-producing enterprises. Include gasoline-tax anticipation bonds, obligations of educational institutions payable exclusively from general student tuition or enrollment fees, and similar special obligations. Do not include obligations which bear a pledge of full faith and credit.

(3) DEBT SERVICED BY LOCAL UNITS. Obligations incurred or assumed by the State in the interest of local governments from which the State collects payment for debt service. Include also State loans to local governments from funds borrowed by the State for reloan.

(4) - (6). Specify and report other special obligations. Include long-term judgments, irreducible debt to trust funds, and other long-term interest-bearing obligations not listed above.

3. NONINTEREST-BEARING DEBT. Total short- and long-term noninterest-bearing debt.

a. SHORT-TERM. Noninterest-bearing warrants and other current liabilities in excess of cash available to pay such debt.

b. LONG-TERM. Matured bonds not presented for payment, and other long-term noninterest-bearing obligations.

4. TOTAL GROSS DEBT. Sum of items 1, 2, and 3.

5. TOTAL INTEREST PAYMENTS. Report total interest paid on debt during the latest fiscal year for which figures are available. Note the fiscal year for which figures are supplied. Figures for the fiscal year ended June 30, 1942, are desired if data are readily available.

NOTES AND COMMENTS

FORM USED FOR LOCAL GOVERNMENTS

Decennial Census of Governments: 1942 Preliminary

DEPARTMENT OF COMMERCE BUREAU OF THE CENSUS WASHINGTON

Form 61 Cities, Counties, and Other Local Governments

STATEMENT OF DEBT ON JUNE 30, 1942

Or on _____, 194__, if figures are not available as of June 30, 1942.

NAME OF PUBLIC UNIT _____

Please report statistics for all departments and agencies of your governmental unit, including those independently administered, such as water systems, libraries, parks, etc. Exclude overlapping independent governmental units (examples: city reports should exclude the county, independent school districts, etc.; county reports should exclude cities, independent school districts, and other independent special districts).

If figures are not available for all items, report totals, without segregation, for principal items indicated by heavy entry spaces. Segregated figures are particularly desired for general obligation bonds (item 2a, column A) and applicable offsets (item 2a, column B), in order that net general obligation bonded debt may be computed.

FOR DETAILED EXPLANATION OF ITEMS, SEE REVERSE SIDE OF PAGE

Table with 3 columns: TYPE OF DEBT, DEBT OUTSTANDING -A-, SINKING FUNDS AND OTHER DEBT OFFSETS -B-. Rows include 1. SHORT-TERM INTEREST-BEARING DEBT, 2. LONG-TERM INTEREST-BEARING DEBT, 3. NONINTEREST-BEARING OBLIGATIONS, 4. TOTAL GROSS DEBT, 5. SPECIAL SPECIAL ASSESSMENT OBLIGATIONS.

INTEREST PAID ON DEBT DURING LAST FISCAL YEAR: FISCAL YEAR ENDED _____ 194__

6. TOTAL INTEREST PAYMENTS (sum of items 6a and 6b - exclude interest on special-special assessment obligations). a. INTEREST PAID ON SHORT-TERM DEBT. b. INTEREST PAID ON LONG-TERM DEBT.

If figures are available for interest paid on special-special assessment obligations, please insert here _____

Data supplied by: _____

Title _____

Address _____

If you wish to receive a copy of the report of this study, check box

FORM USED FOR LOCAL GOVERNMENTS (p.2)

Form 61

-2-

EXPLANATION OF DEBT CLASSIFICATION

DEBT OUTSTANDING. Report in column A, for each item, debt outstanding on June 30, 1942, or as of the latest date, for which figures are available.

SINKING FUNDS AND OTHER OFFSETS. Report in column B, for each item indicated by an entry space, total assets of sinking funds, unexpended balances of refunding bond funds, and other funds reserved for debt redemption. Report securities at par value. Do not include uncollected taxes and other unrealized assets.

1. SHORT-TERM INTEREST-BEARING DEBT. Obligations that mature not later than one year after issue, or that have no fixed maturity date and are payable from taxes levied in the year the obligations are incurred. Include tax and bond anticipation warrants, short-term notes and judgments, and other temporary loans. Include obligations issued on a discount basis.

2. LONG-TERM INTEREST-BEARING DEBT. Fixed term and serial bonds, and other obligations with a redemption date later than one year after issue.

a. GENERAL OBLIGATION BONDS. Full faith and credit bonds. Include obligations payable from specific earnings or other revenues which also bear a pledge of the general credit of your governmental unit.

b. SPECIAL LONG-TERM OBLIGATIONS. Long-term interest-bearing obligations other than general obligation bonds.

(1) REVENUE BONDS. Obligations that must be paid exclusively from earnings or charges of income-producing enterprises, without recourse to tax revenues, even if revenue from charges should be insufficient to pay debt service.

(2) QUASI-REVENUE BONDS. Long-term obligations that must be paid exclusively from "earmarked" funds or specific dedicated revenues, other than earnings of income-producing enterprises and special assessments. Do not include obligations which bear a pledge of full faith and credit.

(3) CONTINGENT SPECIAL ASSESSMENT OBLIGATIONS. Obligations, payable from special assessments, that bear a guarantee of the general credit of your governmental unit.

(4) REIMBURSEMENT OBLIGATIONS. Obligations incurred in the name of your governmental unit that are serviced by another governmental unit. Include road bonds outstanding in the name of your unit, on which debt service has been assumed by the State and similar obligations.

(5) OTHER SPECIAL OBLIGATIONS. Include long-term judgments, mortgages, and other types of debt obligations not covered in other items. Exclude special-special assessment obligations.

3. NONINTEREST BEARING DEBT. Total short- and long-term noninterest-bearing debt.

a. SHORT-TERM. Noninterest-bearing warrants and other current liabilities in excess of cash available to pay such debt.

b. LONG-TERM. Matured bonds not presented for payment, and other long-term noninterest-bearing obligations.

4. TOTAL GROSS DEBT. Sum of items 1, 2, and 3.

5. SPECIAL SPECIAL ASSESSMENT OBLIGATIONS. Obligations payable solely from special assessments, with recourse limited exclusively to proceedings against benefited property or property owners. Do not include in gross debt.

6. TOTAL INTEREST PAYMENTS. Total interest paid on debt during the latest fiscal year for which figures are available. Note the fiscal year for which figures are supplied. Figures for the fiscal year ended on June 30, 1942 are desired, if data are readily available.