

units. Further, limitation upon the debt of smaller units,—if the constitutional limitation is so broad as to be no restriction at all,—should be accomplished by statutes drawn so as to prevent excesses and at the same time permit consolidation of overlapping units.

In the interest of economy and of public knowledge of the exact condition of governmental finances, it is clear that:

Summary

Consolidation of multiple and overlapping units would be a permanent and effective barrier against the excessive pyramiding of local indebtedness. The possibilities of effecting such consolidations deserve the closest possible scrutiny by state and local governments.

3. ISSUANCE OF SPECIAL ASSESSMENT BONDS

Some aspects of the issuance of special assessment bonds, such as the purposes for which they are issued, the rates of interest which they bear and the methods by which they are sold are related directly to the issuance of bonds and the promotion of economy in public financial administration.

Relation to
General Topic

Perhaps no other class of municipal securities has been subjected to as many and as extensive abuses as special assessment bonds. They have borne high and perhaps excessive rates of interest in some instances because the local governments have made no aggressive effort to see that they are paid when matured and because delays in payment and occasional defaults have made the market for them uneasy. Some municipalities are beginning to take cognizance of such abuses as may exist and some states, through the enactment of new legislation, are undertaking to promote sounder practices.

Abuses of
Special
Assessments

4. ABSENCE OF MUNICIPAL FAITH AND CREDIT

Usually the distinguishing element between regular municipal bonds and special assessment bonds is that the former are issued with the faith and credit of the local government as security and the latter are backed only by the property of the benefitted district. The importance of this difference is emphasized by the obvious difficulty of the holder of a special assessment bond enforcing his lien against such property.

Only Property
As Security

Under such conditions, the anomalous situation may exist of a city borrowing money for school, municipal or other general pur-

Anomalous
Situation