

not exceed the bounds of common sense. Special assessment bonds, when made the general obligation of a city, would be issued by the city council but not necessarily by a vote of the people, as often is required in the case of general issues.

In view of the increasing resort to special assessment bonds for the financing of capital expenditures and in order that economy in governmental financing administration may be promoted, it becomes clear that:

Summary

It is desirable for states and cities to consider the advisability of having special assessment bonds authorized and sold in the same manner as general municipal issues, with the faith and credit of the city, as well as the property benefitted by the improvement, as security.

III. FINANCING CAPITAL OUTLAYS FROM CURRENT REVENUES

"The basis for determining whether bonds should properly be issued for an expenditure is not alone whether such expenditure is of a capital nature but whether the expenditure is of a recurring or non-recurring capital nature."

—Referendum of the Chamber of Commerce of the United States, 1926.

1. THE PRESENT SITUATION

The amount of money being paid in interest on outstanding state and local indebtedness is commanding increasing attention. Two dollars are paid over a period of years in exchange for every dollar borrowed for immediate use, one of the two being principal and the other interest. The substantial cost, the alleged extravagance arising from the expenditure of borrowed money and the difficulties incident to sinking fund administration have directed attention to the possibility of state and local governments paying for capital improvements from current revenues. Such a plan is known as the pay-as-you-go system.

The Cost of Borrowing

The financing of capital outlays from current revenues is now the practice of some communities for at least a part of their capital financing, or for all outlays made for specific purposes. The fact that roughly \$500,000,000 of the \$973,000,000 paid by cities of

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