

THE FINANCIAL ACTIVITIES OF PUBLIC AUTHORITIES

I. THE GOVERNMENT

1. GOVERNMENT BUDGETS

The budget estimates of the Government for the financial year 1955—56 (including the Ordinary Budget, the Development Budget and Earmarked Revenues) totalled IL. 817 millions, as against IL.670 millions in the previous financial year. If the special Defence Fund Budget, totalling IL.50 millions, is added, the budget estimates reach IL. 867 millions, or about 29 per cent more than the actual expenditure during the financial year 1954—55. This increase is partly due to rising prices and wages and partly to an expansion of Government activities.

A comparison of the actual revenues within the framework of the Ordinary Budget and the Development Budget during the first nine months of the two financial years concerned* also shows an increase by nearly 25 per cent, from IL. 443.2 millions in 1954 to IL.552.9 millions in 1955.

TABLE 141

REVENUE AND EXPENDITURE, BY TYPE OF BUDGET, 1954-55 AND 1955-56
(in IL. millions)

	1954—55		1955—56	
	Revenue	Expenditure	Revenue	Expenditure
Ordinary Budget	344.9	332.7	482.9	483.4
Development Budget Debt Redemption and Special Expenditure	316.4	295.7	371.3	371.3
Earmarked Revenue and Expenditure	9.1	9.1	12.3	12.3
Current Surplus or Deficit	—	33.0	0.5	—
<i>Total *</i>	670.4	670.4	867.0	867.0

* *Discrepancies in the total are due to rounding of figures.*

SOURCE: *Financial Reports of the Accountant General, Ministry of Finance.*

(a) *The Ordinary Budget.* The relative weight of the Ordinary Budget rose from 51 per cent of total Government revenue and expenditure in the financial year 1954—55 to 55 per cent in the financial year 1955—56. This Budget reflects the routine activities of the several Government Ministries, as well as the taxes and other income used for financing such activities. Two of the budget items relate to transferred payments of various kinds (e.g. pensions, social welfare payments, compensation, etc.) and to interest paid on loans, even when such loans were received for

* At the time of writing, there was only the Financial Report of the Accountant General for the months April-December 1955 at our disposal, which does not include Earmarked Revenues.

development purposes and the expenditure of the principal appears as an item in the Development Budget. The Government acts merely as an agent for the collection and disbursement of monies under the items Transferred Income and Transferred Expenditure.

TABLE 142
THE ORDINARY BUDGET, 1954-55 AND 1955-56
(in IL. millions)

<i>Revenue</i>	<i>Actual Revenue</i> 1954—55	<i>Estimated Revenue</i> 1955—56	<i>Expenditure</i>	<i>Actual Expenditure</i> 1954—55	<i>Estimated Expenditure</i> 1955—56
Ordinary Income	288.9	367.0	Ordinary Expenditure	277.3	368.7
Transferred Income	15.3	19.4	Transferred Expenditure	15.2	19.4
Contributions to					
Defence Fund	—	50.0	Defence Fund Expenditure	—	50.0
Revenues of the Ministry of Posts and Ministry of Transport and Communications	40.7	45.2	Expenditures of the Ministry of Posts and Ministry of Transport and Communications	40.3	45.3
Transfer of Surplus			Cover for Exchange Rate Adjustments from		
Revenue from 1954—55	—	1.2	Previous Years	11.0	—
Surplus of Expenditure	—	0.5	Surplus of Revenue	1.2	—
<i>Total</i>	344.9	483.4	<i>Total</i>	344.9	483.4

SOURCE: *Financial Reports of the Accountant General, Ministry of Finance.*

(b) *The Development Budget.* The relative weight of the Development Budget fell from 47 per cent of the Government's total revenues in the financial year 1954—55

TABLE 143
THE DEVELOPMENT BUDGET, DEBT REDEMPTION AND SPECIAL EXPENDITURE, 1954—55 AND 1955—56
(in IL. millions)

<i>Revenue</i>	<i>Actual Revenue</i> 1954—55	<i>Estimated Revenue</i> 1955—56	<i>Expenditure</i>	<i>Actual Expenditure</i> 1954—55	<i>Estimated Expenditure</i> 1955—56
Counterpart Funds	233.0	237.0	Agriculture, Negev Development and Jordan Canal	80.3	96.0
Loans	43.0	77.5*	Industry, Mining and Electricity	40.3	84.4**
Income from Property and Loan Repayments	40.5	39.6	Posts and Communications	27.1	34.7
Transfer from the Ordinary Budget	—	9.0	Housing	27.4	37.7
Transfer of Revenue			Loans to Local Authorities	6.1	12.0
Surplus from 1954—55	—	8.3	Debt Redemption	59.5	50.0
			Revolving Capital	13.0	20.0
			Other Expenditure	41.9	36.7
			Revenue Surplus	20.8	—
<i>Total</i>	316.5	371.3	<i>Total</i>	316.5	371.3

* Including a special foreign loan for the purchase of Palestine Electric Corporation shares.

** Including IL. 23.6 millions for the purchase of Palestine Electric Corporation shares.

SOURCE: *Financial Reports of the Accountant General, Ministry of Finance.*

to 43 per cent of the estimates for 1955—56. This decline is due to the inclusion of the Defence Fund in the Ordinary Budget. The Development Budget includes Governmental and Government-aided development projects, as well as the sources from which these are financed. Both in 1954—55 and in 1955—56, some 60 per cent of this Budget was used for developing the productive sectors of the economy and for debt redemption. The remainder was distributed between various services.

Counterpart funds were the most important source of income, accounting for more than 63 per cent of total revenue in 1955—56 and for about 73 per cent in 1954—55. Their reduced weight in 1955—56 was caused by the appearance of new loans on the revenue side, including both the Popular Loan and the Special Loan. There was also an increase in the loans received from the National Insurance Institute.

(c) *Earmarked Revenue and Expenditure.* Estimates of Earmarked Expenditure for 1955—56 total IL. 12.3 millions as against the actual expenditure of IL. 9.1 millions during the 1954—55 financial year. The 34 per cent increase represented by the extra IL. 3.2 millions is not reflected in the Budget, owing to the smallness of the absolute sum concerned. The reason for this increase is to be found in the expansion of Government services and activities.

Earmarked Expenditure is defined as expenditure conditional on the collection of certain revenues by the appropriate Ministry, which appear as deductions from expenditure and not as an item on the income side of the Budget. The share of Earmarked Expenditure did not exceed 1 per cent of total Government expenditure during the two years under review.

2. CURRENT ASSETS AND LIABILITIES OF THE MINISTRY OF FINANCE

The total current assets and liabilities of the Ministry of Finance increased by IL. 58 millions during the first nine months of the 1955—56 financial year and reached IL.294 millions.

Viewed together with the various budgets, the statement of current assets and liabilities gives a reasonably complete picture of the financial situation of the State and of the influence exercised by Government spending upon the economy as a whole. Table 144 shows the assets and liabilities of the Ministry of Finance on 31.12.1955, as compared with the situation on 31.3.1955.

The main changes which occurred on the assets side include increases in the Stocks and Advances item and in the excess of Expenditure over Income. Changes on the liabilities side reflect the change-over from financing through the Jewish Agency from the proceeds of the Consolidation Loan, to financing through the Bank of Israel and various foreign banks. There was also an increase under the item for Funds. The revenue surplus from the financial year 1954—55 was absorbed. Undertakings, the assets and liabilities of which are linked, appear as parallel items on both sides of the balance.

A detailed report on credits received by the Government from the Israel banking system is given in Chapter XV.

TABLE 144

CURRENT ASSETS AND LIABILITIES OF THE MINISTRY OF FINANCE ON 31.3.1955 AND 31.12.1955*
(in IL. millions)

<i>Assets</i>	31.3.55	31.12.55	<i>Liabilities</i>	31.3.55	31.12.55.
Accounts in Banks	64.4	68.8	Sums Deposited with the Government	37.8	34.8
Investments in Securities	22.6	13.9	Creditors—Banks	39.1	91.9
Debtors	35.5	40.0	Creditors—Loans	91.4	65.2
Stocks and Advances	103.8	122.7	Demands on account of Implementation of Budgets	31.1	33.2
Deficit on account of Exchange Rate Adjustments from Previous Years	10.4	8.8	Funds	14.1	30.4
Excess of Expenditure over Income (including Defence Fund)	—	24.2	Revenue Credit Accounts	13.6	22.8
Undertakings linked to Liabilities **	—	16.0	Excess of Income over Expenditure	9.5	—
<i>Total</i>	236.8	294.4	Undertakings linked to Assets	—	16.0
			<i>Total</i>	236.8	294.4

* Discrepancies in the total are due to rounding of figures.

** Includes the "Save to Build" scheme and loans for the purchase of ships.

SOURCE: *Financial Reports of the Accountant General, Ministry of Finance.*

3. SOURCES OF REVENUE

The revenue items in Government Budgets can be divided into four main groups: (a) Taxes and Licence Fees; (b) Loans; (c) Unrequited Receipts; (d) Undertakings and Services. Owing to the diversity of items in the fourth group, only the first three are dealt with in this chapter.

(a) *Taxes and Licence Fees.* The estimate of taxes collected by the Government during the financial year 1955—56 totals IL. 373.8 millions, as against IL. 283 millions in 1954—55, showing an increase of 32 per cent. Slight changes also occurred in the composition of the taxes levied, the share of direct taxes rising from 38.9 per cent in 1954—55 to 40.4 per cent of total revenue in 1955—56. On the other hand, statistics of revenue actually collected during the first nine months of the financial year 1955—56, show a small decline in the revenue from direct taxes (see Table 145).

During 1955, the burden of direct and indirect taxes, before deduction of subsidies designed to lower commodity prices, rose to 20.4 per cent of the gross national income.* This compares with 17.5 per cent in 1954, as shown in Table 146.

The increased tax burden was mainly due to the larger volume of indirect taxes during this period. Direct taxes did not rise to a similar extent.

* The calculations in this paragraph are made according to calendar years, since the available data regarding the national product and the national income were calculated on this basis.

TABLE 145
TAXES, 1954—55 AND 1955—56
(in IL. millions)

<i>Type of Revenue</i>	Actual Revenue 1954—55	Estimate 1955—56	Actual Revenue April-December 1955
Income Tax	119.1	156.0	98.3
Property Taxes (Urban and Rural)	3.2	3.5	1.9
Other Direct Taxes (Land Betterment Tax and Inheritance Tax)	0.8	1.0	0.6
Property Tax (in lieu of Compulsory Loan)	5.3	5.3	2.8
<i>Total Direct Taxes</i>	128.4	165.8	103.6
Customs Duties: General	43.7	65.0	42.3
Fuel	30.5	35.0	24.8
Excise: Cement	15.6	24.0	14.3
Tobacco	15.0	17.5	12.8
Liquor	8.8	9.5	5.6
Tyres	1.2	2.0	1.4
Purchase Tax	24.1	36.8	24.8
Foreign Travel Tax	1.3	1.7	1.3
Entertainment Tax	2.8	3.0	2.5
Stamp Duties	2.6	4.0	3.0
Various Indirect Taxes & Licence Fees	8.6	9.5	6.3
<i>Total Indirect Taxes</i>	154.2	208.0	139.1

* Discrepancies in the total are due to the rounding of figures.

SOURCE: *Financial Reports of the Accountant General, Ministry of Finance.*

TABLE 146
GOVERNMENT TAXES IN RELATION TO GROSS NATIONAL INCOME, 1954 AND 1955

	1954		1955	
	in IL.millions	in per cent	in IL.millions	in per cent
National Income Received	1,461	100.0	1,663	100.0
Direct Taxes	119	8.1	155	9.3
Indirect Taxes	137	9.4	185	11.1

SOURCE: *Bank of Israel.*

(b) *Loans.* Both foreign and internal loans serve as sources of revenue. At the end of 1955, after implementation of the 1955—56 Budget over a nine months period, the balance of internal loans stood at IL.332.7 millions, as against IL.299.5 millions at the end of the financial year 1954—55. The total of internal loans had thus risen by IL. 33.2 millions, or by 11.1 per cent.

The main changes under this head during the financial year 1955—56 were increases in the total of Popular Loans and of loans granted by the National Insurance Institute to the Ministry of Finance (included in the item, Other Internal Loans, in Table 147).

The balance of foreign loans at the end of 1955 totalled \$351.3 millions, as against \$297.5 millions at the end of March 1955. This represents an increase of \$53.8 millions or 18.1 per cent, which is considerably greater than the increase in internal loans during the same period.

The main changes under this head in the financial year 1955—56 were a 10 per cent rise in the balance of the Independence Loan and the Development Loan, and the creation of new debts, such as the counterpart of U.S. food surplus deliveries, as well as the new method of registering the debt to British banks on account of the purchase of Palestine Electric Corporation shares. There were only minor changes in other paragraphs.

Repayment of previous loans registered at the exchange rate prevailing at the time these loans were received, as well as the acceptance of new loans at the rate of IL. 1.800 per \$1.00, caused an increase in the average rate of exchange at which all foreign loans were registered, from IL. 0.800 at the end of March 1955 to IL.0.960 at the end of December 1955.

TABLE 147
INTERNAL LOANS: BALANCES ON 31.3.1955 AND 31.12.1955*
(in IL. millions)

Type of Loan	Balance on 31.3.1955	Balance on 31.12.1955	Change in IL.millions
Treasury Bills	69.4	69.4	—
Land Bills	77.3	77.3	—
War Loan	6.0	5.2	— 0.8
Financial Institutions Loan	16.5	19.5	+ 3.0
Popular Loans	16.0	28.6	+12.6
Compulsory Loan	29.3	30.4	+ 1.1
Dollar-Linked Loans	11.9	15.8	+ 3.9
Other Internal Loans	73.1	86.5	+13.4
<i>Total</i>	299.5	332.7	+33.2

TABLE 148
FOREIGN LOANS: BALANCES ON 31.3.1955 AND 31.12.1955
(in \$ millions)

Loan	Balance on 31.3.1955	Balance on 31.12.1955	Changes in \$ millions
Independence Loan and Development Loan	169.4	189.1	+19.7
Export-Import Bank Loan	121.9	120.8	— 1.1
Special U.S. Loan	0.8	0.8	—
Debt to U.S. Government on account of Food Surpluses	—	21.7	+21.7
Debt in Sterling	5.4	5.2	— 0.2
Debts to British Banks	—	13.7	+13.7
<i>Total Foreign Loans</i>	297.5	351.3 *	+53.8
<i>Total Foreign Loans in IL. millions**</i>	236.9	338.3	101.4

* This total differs from the total of Government liabilities given in Chapter III, as it does not include guarantees by the Ministry of Finance which only constitute liabilities in the Balance of Payments.

** The registered value in Israel pounds of liabilities in foreign currency.

SOURCE: Financial Reports of the Accountant General, Ministry of Finance.

(c) *Unrequited Receipts.* The two sources of unrequited receipts are Reparations and the U.S. Grant-in-Aid. The estimates for the financial year 1955—56 for revenue in local currency from the counterpart funds of these two sources totalled IL.72 millions each. Owing to delays in the delivery of reparation goods to Israel purchasers, the Government carried forward a credit balance of IL.23.3 millions from the previous financial year. Actual receipts during the two years under review are shown in Table 149.

TABLE 149

ESTIMATED AND ACTUAL RECEIPTS FROM COUNTERPART FUNDS, 1954—55 AND 1955—56
(in IL. millions)

	Estimate 1954-55	Actual Receipts 1954-55	Estimate 1955-56	Actual Receipts April- December 1955
Reparations Counterpart Fund	115.5	92.2	95.3	74.3
U.S. Grant-in-Aid Counterpart Fund	79.7	80.1	72.0	57.8
<i>Total</i>	195.2	172.3	167.3	132.1

SOURCE: *Financial Reports of the Accountant General, Ministry of Finance.*

4. GOVERNMENT EXPENDITURE, BY ECONOMIC DESTINATION

A comparison between Government expenditure by economic destination in the budget estimates for 1955—56 and actual expenditure in 1954—55 shows only insignificant differences. The relative weight of current expenditure increased slightly, and a new item, Reserve, appeared. There was, on the other hand, a certain decline in payments on account of the public debt and in expenses on account of capital as shown in Table 150.

TABLE 150

GOVERNMENT EXPENDITURE, BY ECONOMIC DESTINATION, 1954—55 AND 1955—56
(in per cent)

Destination	Actual Expenditure 1954—55	Estimates 1955—56
Current Expenditure	38.1	40.8
Redemption of Public Debt	12.8	9.1
Transfer Payments to Institutions and Individuals	14.6	14.9
Payments on account of Capital	34.5	32.7
Reserve	—	2.5
<i>Total</i>	100.0	100.0

SOURCE: *Analysis of the Budget, First Stage, January 1956, Office of the State Comptroller.*

The changes occurring in the period under review are reflected in the distribution of the amounts given above among the Government's various activities and in the comparison between the last two financial years. No single item shows far-reaching changes, but a relatively slight reduction in expenditure in central administration and the public debt may be discerned, as well as in expenditure on agriculture

and water. On the other hand, the weight of defence expenditure and of expenses connected with the development of industry and commerce increased.

TABLE 151
BUDGETARY EXPENDITURE, ACCORDING TO THE FUNCTIONS OF THE GOVERNMENT
(in per cent)

	<i>Actual Expenditure 1954—55</i>	<i>Estimated Expenditure 1955—56</i>
Central Administration and the		
Public Debt	22.1	19.9
Defence, Judiciary and Police	21.1	23.9
Education, Research and Religion	6.4	6.5
Social Welfare and Labour	2.8	3.4
Health	3.5	3.4
Housing	6.1	6.9
Agriculture and Water	13.5	12.1
Industry and Commerce	11.7	13.7
Communications and Transport	12.8	10.2
<i>Total</i>	100.0	100.0

SOURCE: *Analysis of the Budget, First Stage, January 1956, Office of the State Comptroller.*

II. THE LOCAL AUTHORITIES

The financial situation of the local authorities began to worsen in 1955—56. These authorities had succeeded during 1953—54 and 1954—55 in balancing their revenue and expenditure, despite the increases in the size of their ordinary and development budgets.

The worsening financial situation of the local authorities has not yet found full expression in the estimates of their ordinary income, which reached IL.109.5 millions in 1955—56, representing an increase of 31 per cent over the preceding financial year. The estimates of ordinary expenditure were increased by 33 per cent, reaching IL.108.9 millions. Expenditure rose more rapidly than income and the surplus of revenue over expenditure, which had stood at IL. 1.6 millions in 1954—55, was thus reduced in 1955—56 to an estimated IL.0.6 million. However, since Consolidation Loans are included in the ordinary income of the local authorities and such loans cannot be regarded as a normal source of income, this surplus of IL.0.6 million does not reveal the real deficit. Consolidation Loans constituted an increasing share of the ordinary revenue of the local authorities in 1955—56, their estimated total being between IL. 10 millions and IL. 11 millions, as compared with only IL. 2.2 millions in 1954—55. Thus, in 1955—56, Consolidation Loans accounted for not less than 10 per cent of the entire estimated ordinary revenue of the local authorities, while in 1954—55 their share was only 3 per cent.

A summary of the budgets of municipalities, local councils and district councils for the years 1953—54 and 1954—55, as well as of budget estimates for 1955—56, is given in Table 152*.

The deterioration in the financial position of the local authorities at the beginning of 1955—56 was mainly due to two reasons: on the one hand, the local authorities found it difficult to meet their growing expenses without raising the rates, despite the fact that they increased their revenues from taxation through improvements in collection methods and the prevention of tax evasions. On the other hand, most local authorities did not raise their rates at the beginning of the financial year 1955—56. Later in the year, many local authorities did raise their general and property rates, hoping to increase their revenue from these sources. Moreover, the *Knesset* passed a law permitting the raising of the local business rate ceiling from IL.1,000 to IL.2,000 per annum. The possibility was also discussed of allowing

* The larger total volume of ordinary budgets is due, in some measure, to the increase in the number of authorities included in the survey. This number was 104 in 1953—54, 141 in 1954—55 and, in 1955—56, 149 out of the 152 existing at the beginning of this financial year. This increase in the number of authorities was caused by the inclusion of additional local and district councils, whose budgets had not been examined in previous years, as well as by the examination of the budgets of new councils. However, owing to the relatively small weight of the councils not included in the survey, the conclusions concerning general developments in the budgets of local authorities remain unaffected.

local authorities jointly to float an issue of debentures to the nominal value of IL.15 millions for sale to the public, and of using the proceeds for the consolidation of their debts and the financing of development projects.

One of the factors which create financial difficulties for the local authorities is the increasing lag in the collection of general rates, the water rate and of imposts levied on property owners for developments works. The amounts outstanding totalled IL.36 millions in March 1955, as against IL.32.1 millions in March 1954.

The delays in the collection of the property rate and of imposts from property owners may be explained, in part, by the fact that not every owner liable for these payments, which are directly levied on properties within the boundaries of each authority, is also a resident of the same locality. On the other hand, the lag in the collection of the general rate, the water rate and the business rate is primarily due to the inability of the collecting staffs of the local authorities themselves to overcome the administrative obstacles involved.

TABLE 152
ORDINARY BUDGETS OF THE LOCAL AUTHORITIES, 1953—54, 1954—55, 1955—56
(in IL. millions)

	Revenue			Expenditure		
	1953—54	1954—55	1955—56 Estimate	1953—54	1954—55	1955—56 Estimate
Municipalities	51.8	65.5	84.2	53.8	64.1	84.1
Local Councils	8.8	12.9	17.7	9.0	12.7	17.3
District Councils	3.4	5.4	7.6	3.4	5.3	7.5
<i>Total *</i>	64.0	83.7	109.5	66.3	82.1	108.9

* Discrepancies in the total are due to rounding of figures.

SOURCE: 1953—54 and 1954—55: Reports Nos. 5 and 6 of the State Comptroller; 1955—56: Calculations of the Bank of Israel.

The burden of debts also proved irksome for the local authorities. Debts due for redemption in 1955—56 totalled IL.24.4 millions and constituted approximately one quarter of their ordinary budgets. It should be noted, in comparison, that debts due for redemption in 1954—55 totalled IL.17.5 millions. Debts due for redemption in 1955—56 included loans for periods exceeding one year, which amounted to IL.11.5 millions (IL.7.7 millions in 1954—55); open-account debts to suppliers, totalling IL.10.3 millions (IL.8.3 millions in 1954—55); and overdrafts with banking institutions totalling IL.1.3 millions (IL.1.4 millions in 1954—55).

While some of these debts were redeemed by the creation of new debts, the amount set aside for debt redemption in the ordinary budgets of the local authorities rose from IL.5.5 millions in 1954—55 to an estimated IL.12—13 millions in 1955—56.

The total of loans for a period of more than one year grew by IL.6.3 millions, reaching IL.53.7 millions at the end of March 1955, as against IL.47.4 millions at the end of March 1954. However, the rate at which total indebtedness increased, somewhat slowed down; it amounted to 22 per cent (representing an increase of IL.8.5 millions) in 1954—55 and to only 13 per cent in 1955—56.

As may be seen from Table 153, about half the loans for periods exceeding one year were granted to the local authorities by the Ministry of Finance, somewhat less than half by banks and the remainder by contractors.

TABLE 153
LOANS OBTAINED BY LOCAL AUTHORITIES, BALANCE ON 31.3.1955
(in IL. millions)

<i>Lender</i>	<i>in IL. millions</i> <i>in per cent</i>	
Ministry of Finance (including the Mandatory Government)	26.0	48.3
Banks	24.9	46.3
Contractors	2.9	5.4
<i>Total</i>	53.8	100.0

SOURCE: *Report No. 6 of the State Comptroller.*

ESTIMATES OF ORDINARY INCOME FOR 1955—56

In comparison with 1954—55, the estimated ordinary municipal income for 1955—56 shows a rise in the proportion of revenue accruing from rates and Consolidation Loans. On the other hand, the relative weight of Government grants was sharply reduced. Such grants are mainly used for paying the salaries of teachers in primary schools, for participation in the payment of salaries for kindergarten staff and in the local authorities' expenditure on hospitalisation, preventive medicine, clinics and religious or social welfare activities. It should be noted that the budgets of the municipalities account for three-quarters of the total budgets of all local authorities. *

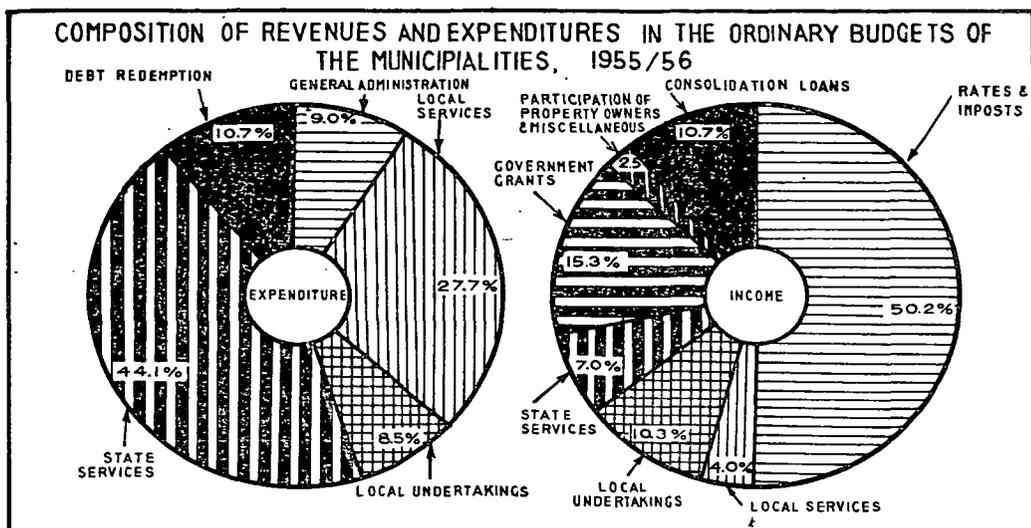
TABLE 154
MUNICIPAL REVENUES, 1954—55 AND 1955—56

<i>Type of Receipts</i>	1954—55		1955—56	
	<i>in IL. millions</i>	<i>in per cent</i>	<i>in IL. millions</i>	<i>in per cent</i>
Rates and Imposts	31.1	47.5	42.3	50.2
Local Services	1.2	1.8	3.4	4.0
Local Undertakings	7.5	11.4	8.7	10.3
State Services	5.6	8.5	5.9	7.0
Government Grants	14.4	22.0	12.9	15.3
Participation by Property			2.1	2.5
Owners	} 3.7 *	} 5.7	—	—
Miscellaneous				
Consolidation Loans	2.0	3.1	9.0	10.7
<i>Total</i>	65.5	100.0	84.2	100.0

* *Estimate.*

SOURCE: 1954—55: *Report No. 6 of the State Comptroller;*
 1955—56: *Calculations of the Bank of Israel.*

* At the time of writing, only a general estimate, without details of individual revenue or expenditure items, was available for the budgets of local and district councils, which together constitute about a quarter of the total budgets of the local authorities.



ESTIMATES OF EXPENDITURE FOR 1955—56

The budgetary estimates of the municipalities for 1955—56 show that the proportion of expenditure on State services, such as education, health, religion and social welfare, has decreased. On the other hand, the relative weight of expenditure on local services, e.g. sanitation, sewage, planning, safeguarding and maintaining of property, has risen in comparison with 1954—55, as have the amounts set aside for debt redemption. Municipal expenditure constitutes some three-quarters of the total expenditure of all local authorities.

Table 155 gives details of the expenditure items in the ordinary budgets of the municipalities for 1954—55, as well as estimates for 1955—56.

TABLE 155
MUNICIPAL EXPENDITURE, 1954—55 AND 1955—56

Type of Expenditure	1954—55		1955—56	
	in IL.millions	in per cent	in IL.millions	in per cent
General Administration	6.1	9.5	7.6	9.0
Local Services	15.5	24.2	23.3	27.6
Local Undertakings	6.4	10.0	7.2	8.5
State Services *	31.0	48.4	37.1	44.1
Miscellaneous	1.4	2.2	—	—
Debt Redemption	3.7	5.7	9.1	10.8
Total	64.1	100.0	84.1	100.0

* It may be assumed that these amounts are lower than the actual expenditure on State services, for the following reasons:

- (a) In most local authorities, this expenditure includes only the net salaries of teachers in State primary schools, after deduction of income tax, Teachers' Union dues, etc.
- (b) Some local authorities do not include the salaries of teachers in State primary schools in their ordinary budgets but in a separate revenue and expenditure account, while others do not include such revenue and expenditure at all.

SOURCE: 1954—55: Report No. 6 of the State Comptroller;
1955—56: Calculations of the Bank of Israel.

EXTRAORDINARY BUDGETS

Most local authorities have an extraordinary or development budget, including only non-recurrent expenditure, such as on public works or the purchase of fixed assets. Such expenditure is covered by extraordinary income, e.g. loans or the participation of various individuals and bodies in the financing of development works.

In contrast to ordinary budgets, which increased very considerably despite the fact that no serious changes took place in the structure of their revenues or expenditure, the extraordinary budgets of the local authorities were little larger in 1954—55 than in 1953—54. On the other hand, the relative weight of the various sources of income for the extraordinary budgets changed quite remarkably. Financing by loans from the Development Budget or the banking system sharply declined, while the participation of property owners in development works showed a corresponding increase. The relative weight of individual expenditure items also changed somewhat between 1953—54 and 1954—55, the share of expenses connected with public works decreasing, while investments in local undertakings were expanded.

Table 156 gives details of the revenue and expenditure in the extraordinary budgets of local authorities during the financial years 1953—54 and 1954—55.

TABLE 156

SUMMARY OF THE EXTRAORDINARY BUDGETS OF LOCAL AUTHORITIES, 1953—54 AND 1954—55
(in IL. millions)

Revenue	1953—54	1954—55	Expenditure	1953—54	1954—55
Loans	11.8	6.1	Public Works	18.0	17.5
Participation of Property Owners	4.2	11.1	Development of Undertakings	1.1	3.3
Miscellaneous	1.2	1.4			
<i>Total</i>	17.2	18.6	<i>Total</i>	19.0	20.8

SOURCE: Reports Nos. 5 and 6 of the State Comptroller.

Many local authorities do not prepare an estimate of extraordinary revenue or expenditure at the beginning of the financial year, but tend to confirm such expenditure when the funds required for its financing are to hand. It is therefore only possible to estimate the expansion of the extraordinary budgets in 1955—56 by referring to the actual expenditure during the first nine months of that financial year. From the reports of a large number of municipalities, as well as some local and district councils, it would appear that payments within the framework of extraordinary budgets have increased by more than 30 per cent in comparison with the preceding year; this was mainly due to the greater amount of public works in the first half of the financial year. It may be estimated that the total extraordinary expenditure of the local authorities increased from IL.20.8 millions in 1954—55 to some IL. 27.0 millions in 1955—56. It is, however, difficult to determine to what extent a parallel rise occurred in the extraordinary revenue of the local authorities.

METHODS OF COLLECTION

During 1954—56, progress was made in the collection of local revenues through the medium of banks. A special investigation carried out by the State Comptroller* showed that this relatively new method of collection is now used by twenty-seven of the local authorities examined. It is specially popular in the municipalities, where IL. 3.7 millions, representing 14 per cent of total rates, were raised in this manner. Local and district councils collected only IL. 0.2 million through the banks, barely 4 per cent of the total rates collected by these authorities.

The greater part of local rates is paid in directly to the financial departments of the local authorities; of the authorities examined by the State Comptroller, some IL. 18 millions, constituting 52 per cent of all rates collected, were raised in this manner. These same authorities raised some IL. 12.7 millions through collectors, which constituted about 37 per cent of total rates collected by them in 1954—55. Expenses connected with this latter method amounted to IL. 0.8 million, i.e. some 6 per cent of the amount thus raised during the year.

* This special investigation included all municipalities, fifty four local councils and eleven district councils — altogether eighty five authorities — whose revenues from rates constituted in 1954—55 some 93 per cent of total local revenues of this kind.