Three basic sets of projections for 1960 and 1965 have been prepared in 1958 dollars—low, medium, and high. The medium projections assume a cumulative annual increase of 3 percent in per capita personal income, teachers' salary and length of school term. The number of pupils in average daily attendance is assumed to increase to 32 million in 1960 and 37.2 million in 1965. The other factors are assumed to increase very little.

On the basis of these assumptions, equation 1.1, which emphasizes teachers' salary level, can be used to project expenditures. Equation 1.2, which emphasizes people's income and thus ability to afford good education, helps project revenue. Medium projections suggest that if annual teachers' salary increases of 3 percent are granted—and funds to finance them can be found—total current expenditure plus debt service for public primary and secondary education will have advanced in terms of 1958 dollars to about $12.7 billion by 1960 and $17.4 billion by 1965, compared to $11.0 billion expenditures in 1958. This amounts to about an 8 percent annual increase.

However, if people's attitude toward public education and the way of financing it remains unchanged, a 3 percent annual increase in per capita personal income is projected to produce merely $11.1 billion in revenue (in terms of 1958 dollars) in 1960 and $15.3 billion in 1965. While this would be a 39 percent increase from 1958 to 1965, it would fall short by $2.1 billion in 1965 of what teachers' salary pressure would lead to in terms of expenditure.

Whether the public education sector will in 1965 account for about $17.4 or $15.3 billion will much depend upon whether the income elasticity of public education will change.

SOME IMPLICATIONS

Leadership will play a decisive role. The American people need to be persuaded to spend a larger part of their income for public education. Congress can make an important contribution by voting into existence a system of matching Federal funds combined with carefully designed eligibility criteria. High on the list of these criteria should be the following two: States must make a minimum tax effort to finance education—i.e., a minimum ratio between per capita State and local school tax and per capita income will have to be set; and there should be a statewide equalization program which effectively assures sufficient funds to underwrite a floor below which the scope and quality of education cannot fall anywhere in the State.

Chapter 2. The State and Local Government Sector

INTRODUCTION

While it might not be generally recognized, the number of State and local governments in the United States is not only fairly large—102,352 units in 1957—but they also perform a great variety of functions. State and local government direct expenditure in 1958 was $53.9 billion, compared to $81.2 billion spent by the Federal Government. These expenditures amount to 12.3 percent of gross national product and 15 percent of national income. Or, to use another yardstick, State and local governments employed in 1957 a full-time equivalent of 4,793,000 men and women.