

PROJECTION OF STATE AND LOCAL GOVERNMENT CAPITAL OUTLAYS IN 1975

State and local government purchases of structures and equipment are dependent principally on their tax receipts, borrowing, Federal aid received, and the needs of the growing population. Apart from the Federal grants, the expenditures of these governments are primarily dependent upon receipts from their own sources, and these receipts are basically a function of the level of economic activity and, particularly, personal income. Thus, the first requirement in projecting State and local government expenditures is to develop projections of these two overall measures of the national economy on the basis of certain specific assumptions.

1. Projection of GNP

The pattern of economic activity and, more specifically, the requirements of State and local governments are influenced by the growth and mobility of the population, and, of course, by many other factors. Shifts in population—from agriculture to industry and from central cities to suburbs—have greatly affected the rates of growth and the types of needs of different industries and regions.

Following the end of World War II, the rate of population growth accelerated markedly to 1.7 percent per year, compared with 1.2 percent during the war period and a much lower rate during the great depression years. The Bureau of the Census has projected the 1975 population³ at nearly 223 million persons (series B). This implies an average annual growth rate from 1965 to 1975 of 1.4 percent—somewhat less than that in the years since the end of World War II; in absolute terms, however, the average increase is 2.8 million per year in the next 10 years, only slightly less than the average in the postwar period.

The age composition of the population in 1975 is expected to differ from that in 1965, primarily due to a decline in the number of 5- to 9-year-olds. In 1965 the school-age group, 5 to 21 years old, comprised 31.9 percent of the total population; in 1975 the ratio is expected to be somewhat smaller—31.2 percent. While the school-age group will continue to increase in the period ahead, the rate of advance is projected to be considerably less than that of the past decade. This has important implications on the expansion required for new school buildings, teachers, and other requirements for education resulting from the pressure of increases in the school-age group.

The population rise is eventually reflected in the growth of the labor force, and this, in turn, is one of the basic factors in the expansion of our potential production and economic activity. In the decade prior to 1963, the labor force increased at an annual rate of 1.2 percent. Since that year, the increase has accelerated to 1.7 percent per year, reflecting, in large part, the relatively high birth rate in the early postwar years. According to projections of the Department of Labor, the labor force will expand to 93.6 million by 1975⁴—indicating an

³ U.S. Department of Commerce, Bureau of the Census, "Population Estimates," series P-25, No. 329, Mar. 10, 1966.

⁴ Department of Labor, Bureau of Labor Statistics, "Projections of the Labor Force," 1970-80, Special Labor Force Report, No. 49. The expansion of the labor force is to some extent a function of the rate of economic growth. The 1975 labor force estimate assumes high levels of employment and might be conservative under the assumption of a prolonged high rate of economic activity.