

are in a state of flux. The expanded operations in Vietnam are now a factor in limiting the Federal funds allotted to State and local bodies. When the activity there quiesces or stops entirely, the Government will proceed to implement fully its domestic programs.

Private sources⁵ estimate that existing programs would call for a rise in Federal grants-in-aid to \$30 billion or more in 1975. Relative to assumption A, a large expansion in Federal receipts is indicated, since GNP and income would grow at a faster pace than during the average of the postwar period. This would permit the implementing of existing Federal aid programs for State and local governments and also would provide for some additional future Federal aids to these bodies. Thus, a large growth in Federal grants-in-aid may be envisaged under this assumption, but the amount of increase can only be surmised at this time. For the purpose of calculations associated with assumption A, the Federal grants total in 1975 is placed at \$35 billion—derived by applying the same average percentage rate of increase per year over the next 10 years as that which occurred over the period 1960-65; i.e., 12 percent per year.

In conjunction with assumption B (the 4-percent rate of unemployment) it is assumed that the average annual absolute increase in Federal grants would be somewhat larger than the average absolute increase of \$1.1 billion per year experienced since 1962, when annual increases were larger than the average in the earlier postwar years. The assumed total grants for 1975 is \$25 billion compared with \$11.4 billion in 1965.

The above estimates yield the total State and local government receipts from all sources under assumptions A and B. These are summarized in the accompanying table which includes the projections of the major national variables and of State and local government receipts.

	1965 actual	Projection, 1970		Projection, 1975	
		A ¹	B ²	A ¹	B ²
GNP (billion current dollars)	676.0	940.0	905.0	1,275.0	1,180.0
GNP (billion 1958 dollars)	610.0	760.0	750.0	940.0	910.0
Implicit GNP price (1958=100)	111.0	123.0	121.0	136.0	130.0
Personal income (billion dollars)	531.0	740.0	700.0	1,000.0	895.0
Population (millions)	194.6	207.0	207.0	223.0	223.0
School-age population, 5 to 21 years of age (millions)	62.1	67.4	67.4	69.5	69.5
State and local government receipts—total (billion dollars)	74.3	115.8	109.7	173.2	152.4
Personal tax and nontax receipts	11.5	20.4	18.6	33.9	28.2
Property taxes	23.0	32.5	32.5	43.5	43.5
All other taxes	28.4	42.9	41.1	60.8	55.7
Federal grants-in-aid	11.4	20.0	17.5	35.0	25.0

¹ Based on assumption of 3-percent rate of unemployment.

² Based on assumption of 4-percent rate of unemployment.

NOTE.—See text for sources and methods and assumptions used in deriving the projections.

Source: U.S. Department of Commerce.

Assuming that State and local government expenditures would equal receipts in 1975, on the national income and product basis, the projected expenditures under assumptions A and B would be about

⁵ The National Planning Association has estimated a range in Federal grants-in-aid of between \$31 and \$43 billion in 1975 in their national-regional economic projections series, Report No. 66-J-1.