

whole. Accordingly, as indicated by table 2, the proportion of all State and local government spending (other than insurance trust amounts) that is represented by capital outlay has been practically the same in recent years as it was in the early 1950's. During the interim, however, somewhat higher proportions prevailed. This reflects the fact that capital outlays rose more rapidly than other State and other local government expenditures up to 1959, while the reverse has been true in recent years. Thus, the year-to-year rise in all State-local expenditure (other than insurance trust amounts) averaged 7.4 percent from 1958 to 1963, as against an average annual rise of 5.1 percent in the capital outlay of these governments.

TRENDS IN THE COMPOSITION OF CAPITAL OUTLAY

About four-fifths of all capital outlay of State and local governments is for new construction, and about 12 percent of the total is for the purchase of land and existing structures. The other 8 to 9 percent involves equipment purchases (counted on a gross basis, including replacement items). There has been an increase in the proportion for the purchase of land and existing structures, as indicated by the following summary distribution for selected fiscal years:

Percent of capital outlay of State and local governments

	1952	1957	1962	1964-65
Construction.....	85.9	82.3	81.1	79.0
Land and existing structures.....	6.3	9.5	11.1	12.1
Equipment.....	7.9	8.2	7.8	8.8

This trend can be more sharply indicated by pointing out that amounts applied by State and local governments to the purchase of land and structures went up 272 percent, or 14 percent annually, between 1953 and 1963-64, while their construction expenditure was rising 114 percent, or about 8 percent a year.

Changes have also occurred in the relative amounts of capital outlay undertaken by States and local governments, respectively. The State government portion has rather consistently risen, from less than 30 percent of the State-local total in 1946 to 36 percent in 1952, 41 percent in 1957, 43 percent in 1962, and over 44 percent in the latest years. This development is related to the strong rise in State highway outlays during the 1950's and the even more rapid increase (although involving lesser sums) in capital outlay for institutions of higher education, which mainly involves direct State government spending.

A little more than four-tenths of all capital outlay of State and local governments during recent years has been for highways—including urban streets, local roads, and toll facilities as well as regular State-provided highways. Nearly one-fourth of all State-local capital expenditure is for education. The remaining one-third of the total pertains to a great variety of governmental functions, of which only two (sewerage and water supply) respectively account for as much as 5 percent of all capital outlay of State and local governments.

A functional distribution of State-local capital outlay for selected recent years is provided by table 3, which is based on appendix table B.