

amounts, with considerable financing from Federal grants, make up such a large part of all State capital outlay.

FEDERAL AID FOR STATE-LOCAL CAPITAL OUTLAYS

About one-seventh of all general revenue of State and local governments during recent years has been received through Federal grants or other distributive payments. However, of the numerous programs of Federal intergovernmental expenditure, there are only a few which are designed primarily to help finance construction or capital outlays. By far the largest of these is the Federal highway program, which accounts for about one-third of all Federal payments to State and local governments. Another sizable component involves distributions for urban renewal and public housing. (The housing payments do not specifically finance construction but subsidize low-rent housing operations undertaken by local governments, and thus indirectly foster capital outlay for such public housing.) During recent years, Federal grants specifically for construction or capital outlay purposes have amounted to a significant fraction of all capital outlay of State and local governments for four functions—highways, housing and urban renewal, hospitals, and airports. For other functions, however, grants of this sort have represented only a relatively minor percentage of State-local capital spending. These relationships are shown in table 7.