

On December 31, 1962, approximately \$162.5 million in such bonds was outstanding. Two States, Georgia and Maryland, issued bonds equaling some \$24.4 million in 1962.

In addition, bonds to finance county roads are issued by the Florida Development Commission since neither the State nor the counties can issue bonds for this purpose. The debt service is paid from the county shares of the gasoline tax. In 1962 the Florida Development Commission issued \$26.8 million in such bonds.

REIMBURSEMENT FOR WORK ON STATE HIGHWAYS

Twelve States include among their intergovernmental payments to local governments reimbursement to cities or counties for construction or maintenance work performed on State-owned highways. Such payments should not really be classified as State aid to the local governments even though they are intergovernmental transfers of funds, since they are essentially payments for services performed by the local governments.

STATE RESPONSIBILITY FOR CONSTRUCTION AND MAINTENANCE OF LOCAL ROADS

A final form of State assistance to local governments for roads, which does not show up on lists of State aids, is the direct assumption by the States of the responsibility for construction and maintenance of local roads, bridges, etc. In West Virginia, a State which gives no aid for highways, the State has taken over the complete task of road-building, and in other States, for example, Delaware, Kentucky, and Virginia, the State has taken over a portion of the task. Such expenditures are then shown along with direct expenditures on State highways in the State budget.

EDUCATION

The largest dollar volume of State aid to localities for capital outlay is given for education. In 1962, an estimated \$374 million was given to local governments for local school or junior college construction by 32 States. Specific aids for construction of school facilities account for almost all of these funds. In a few States relatively minor amounts for capital outlay are distributed as part of general grants for local public elementary and secondary schools. In most instances, separate determination of these amounts was possible.

State aid for school construction takes two forms: grants-in-aid and loans.

GRANTS-IN-AID

In 1962, 23 States had programs of grants for local school construction, amounting to almost \$248 million, while 5 States made grants of \$14 million for junior college construction.

In some States the funds for capital outlay grants for education are derived mainly from earmarked taxes. Usually the main taxes earmarked for this purpose are fairly broadly based. In Michigan and South Carolina, for instance, the major earmarked tax from which funds for school construction are obtained, is a portion of the general sales tax. Alabama has earmarked portions of several taxes, including the general sales tax and the income tax, for schools. In 1962,