On the whole the amounts of capital outlay financed by State aid have increased, but in a rather erratic fashion. There were variations in total capital outlay and in borrowing over the interval. In a year when local governments borrow heavily, State aid for capital outlay would be relatively low (for example, see 1955 and 1959).

In projecting State aid for highway construction, we have derived our lower estimate of $330 million from a recent study [4] that made projections of transportation outlays and of highway user receipts from which most State highway aid comes. This estimate is shown in table 6 as illustration I.

Illustration II shows an estimate developed from Bureau of Public Roads projections of capital outlay by local governments and of revenue sources. The Bureau of Public Roads projections assume a lower proportion of bond financing than do the other projections. The estimate derived from these projections calls for approximately $400 million in State aid, with a possible variation of perhaps $10 million in either direction, depending upon the proportion of projected borrowing done by local governments.

Finally, State aid for "other" capital outlay has more than doubled since 1952. This increase has resulted mainly from an expansion in programs which were in operation in 1952 rather than from the institution of new aid programs. Almost all of this expansion has occurred since 1957.

Projection of State aid for "other" public facilities is extremely difficult, if not impossible, due to the polyglot character of the category and the uncertainty as to future State action in these areas. We set as the lower limit (illustration I) represents an absolute annual increase approximately the same as that from 1957 to 1962. In this projection the implicit assumption was of moderate growth only of present programs similar to recent past experience. As the upper limit (illustration II) we have projected a rate of growth similar to the 1957 and 1962 experience. However, if more States should develop sizable programs of aid for local government—for example, in the areas of broad unmet needs, such as water pollution abatement, housing and urban renewal or parks and recreation, "other" State aid could be larger. For instance, in November 1965 New York State voters approved a $1 billion bond issue for State aid to communities over a 6-year period for the construction of sewerage facilities. The State will provide 30 percent of the total cost, and local government 40 percent, with the remaining 30 percent provided by grants under Federal Water Pollution Control Act.

If more States embark on such programs, State aid for capital outlay could increase markedly the slower growth in aids, resulting from the lessening of demands for school facilities as the rate of growth of school-age population declines, would be more than offset. These developments are difficult to predict as they depend on a new program to meet a statewide need. Even the high estimates of State aid for capital outlay may be an understatement as no allowance is made for States moving into new areas of concern.

[4] "Transportation Outlays of States and Localities to 1970," Selma J. Mushkin and Robert Harris, RM 375, Council of State Governments, 1965.