pace than that for other major activities. Most state and local welfare falls under the Federally shared programs. Assistance takes two forms: cash payments to the needy in support of living allowances, and medical payments.

The projections envison a significant increase in the rise of public welfare spending. Total welfare outlays in 1975 are estimated at $17.1 billion, or 170 percent more than in 1965. The previous decade's advance was 99 percent. The higher rates of increase reflect the assumption of widespread response on the part of the states to 1965 Federal legislation on medical care for the "medically indigent." *Emphasis* in the welfare field promises to shift in three ways: (1) from financial aid for living support to payments for medical care; (2) from programs for the elderly to those for younger persons; and (3) from aid to the very poor to assistance to those with somewhat higher living standards. Projections, assuming that all states will implement the new Federal law, indicate that medical costs under public assistance programs will rise by $7.5 billion from 1965 to 1975.

In the other major sector of public welfare—cash living allowances to the needy—only moderate rates of increase are indicated. The slackening in growth reflects expected declines in members of the population under 18 years old, and smaller future increases in the number 65 years old and over. These two groups receive more welfare aids than others, and in the postwar period have tended to increase more rapidly than other age categories. Further downward biases in the outlook for state-local welfare spending are due to the continued increase in the role of social insurance (OASI) programs in the care of elderly persons.

Health and hospitals

State and local governments own and operate 2,041 hospitals and administer a variety of public health programs. They have a predominant role in caring for patients with long-term illnesses, especially mental diseases. The projections for the decade indicate that outlays will rise by 97 percent, to $10.6 billion in 1975. The rate is just slightly below that experienced from 1955 to 1965, but the dollar total will nearly double.

Since 1948, expenditures for state-local health and hospital services have more than quadrupled. The growth in outlays due to quality changes is difficult to separate from that due solely to rising prices. Medical care costs and prices are expected to continue to mount rapidly.

Recent Federal legislation affecting the over-all financing of national health services will have an indirect influence on the state-local health and hospitals sector; in particular, state-local hospitals may become more self-sustaining. These new programs will serve to reduce the role of state and local hospitals in the care of the sick poor; hospitals which serve primarily the poor may become obsolescent in their present form. While the over-all financial responsibility of states and localities for hospital and health services may decline in relation to the nation's total health expenditures, their administrative role in the broader field of health services, which includes medical vendor payments under public welfare, seems likely to expand.

Highways

The management of 3.6 million miles of highways and streets rests largely in the hands of states and localities. This job ranks second to education in financial requirements. Federal highway policy has been a major guiding force in capital spending since 1956. But state and local units have a more extensive responsibility for the 2.8 million miles of city streets and local roads which are outside the Federally aided systems. Land, construction, maintenance, and other highway costs have risen rapidly as a result of both price inflation and the search for improvements in quality. Such increases are estimated to continue at a similar pace throughout the period. The estimates, based as they are on existing law, project that the volume of highway construction will drop somewhat following the completion of the presently designated 41,000-mile Federal-state interstate highway system before 1975. Total highway outlays in 1975 are projected at $16.6 billion, 36 percent above 1965. Future Federal legislation will have an important bearing on actual highway outlays beyond 1972; continuation of Federal financing of 90 and 95 percent of the interstate system or a successor would mean that any new plan approved by Congress would not greatly alter the net state-local financial position projected here.

Other functions

The remaining services provided by the states and localities cover a wide range of activities—parks, recreation, natural resources, correction, unemployment ad-