Volume 6, Issue 12
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monthly statistical report

NINTH DISTRICT CONDITIONS

federal reserve bank of minneapolis

ECONOMY EXPANDS FASTER THAN EXPECTED UNEMPLOYMENT FINALLY NUDGED DOWN

Expectations for a bullish fourth quarter find solid support in recent statistical releases. If anything, the district's economy was stronger than anticipated in August and will undoubtedly move into the new year on an upward swing.

Perhaps the most welcome sign of improvement: newly released, adjusted unemployment figures for October show a modest decline to 5.9 percent; the unemployment rate had been stuck at or above the 6 percent mark in preceding months. Another sign of strength: September retail sales equalled August highs and continued to run about 10 percent ahead of year-earlier figures.

As expected, the district's construction sector remains strong. Seasonally adjusted housing unit authorizations in October were down from September, but were up almost 16 percent from October '71. The value of nonresidential building contract awards in October rose 18 percent from a year ago.

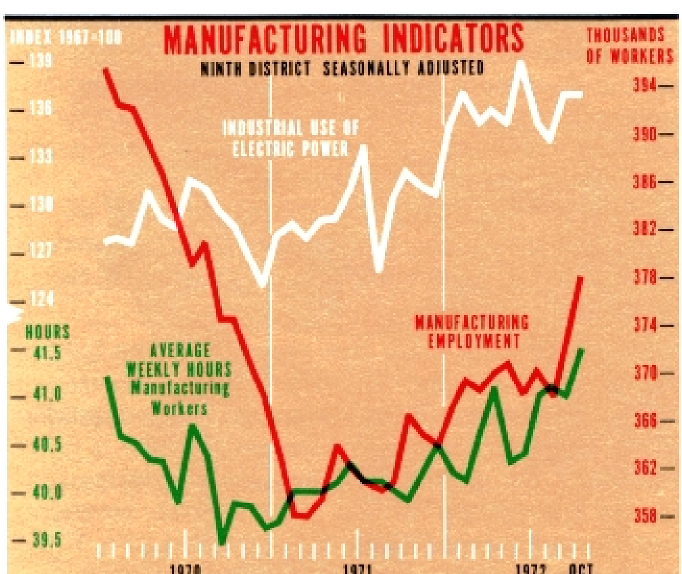
Results of our Quarterly Industrial Expectations Survey and other manufacturing indicators offer further encouragement for the fourth quarter. Harsh weather in November, however, marred agricultural expectations for a highly profitable season.

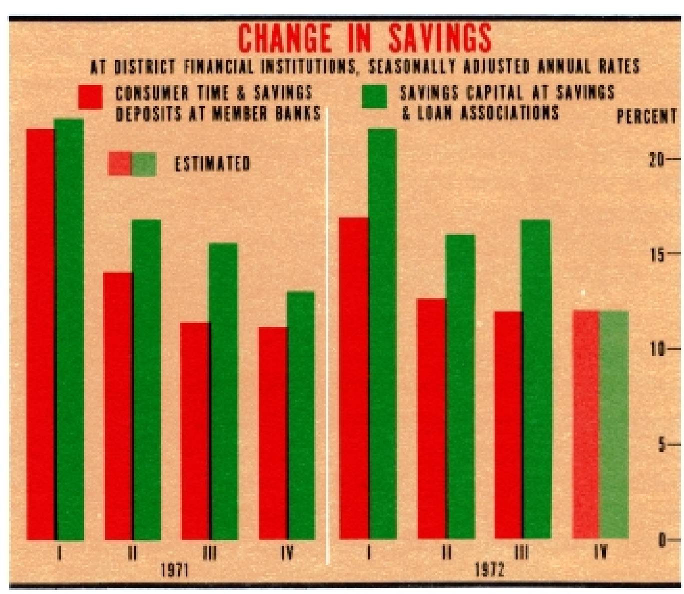
DISTRICT SAVINGS FALL FROM 1971 PEAKS BUT REMAIN SUFFICIENT FOR LOAN DEMAND

Savings inflows continue to provide large supplies of funds to district financial institutions. Consumer-type time and savings deposits at district member banks increased by a seasonally adjusted 14 percent for the 12 months ending in September 1972. To place this increase in perspective, savings inflows grew at a 21 percent seasonally adjusted annual rate in the first quarter of 1971—the record to date.

Recent growth of savings at district savings and loan associations (S&Ls), although stronger than at banks, nevertheless declined from a peak 22 percent growth rate in the first quarter of 1971 to a 17 percent rate for the 12 months ending in September.

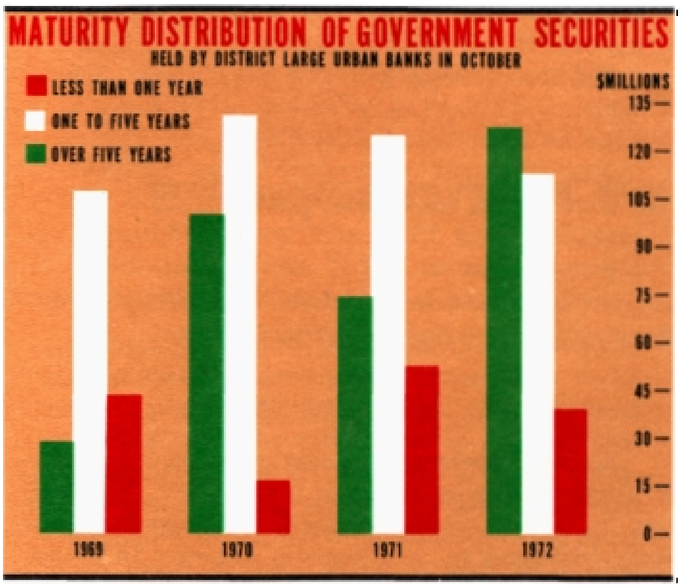
The district's economy has, to a large extent, reaped the benefits of this relatively strong savings growth. Housing construction activity, closely related to the supply of funds available for mortgage credit, continues briskly. And, recently strong consumer, real estate, and business loan demand at district member banks has been met with adequate funds.





LARGE BANKS SCRAMBLE GOV. INVESTMENTS SEEKING HOLDINGS WITH SHORT MATURITIES

The district's large urban banks are preparing for continuing loan growth by arranging their investment holdings to provide ample funds for lending should the need arise.



Perhaps the best evidence of such preparations: large urban banks are changing the maturity structure of the government portion of their investment holdings. They have raised their holdings of U.S. Treasury securities with a maturity of one year or less from $74 million in October 1971 to $127 million in October 1972. Treasury issues falling due after one year totaled $152 million in October 1972, down from $177 million a year ago.

Should loan demand require it, the proceeds of maturing issues can be used by banks to extend bank lending. If additional funds are required, Treasury securities close to maturity can usually be liquidated at little or no loss.

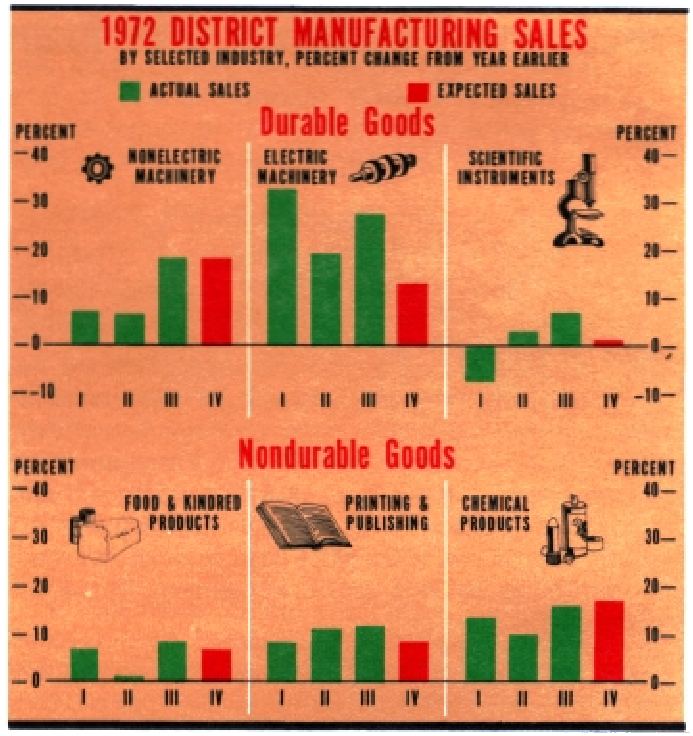
SALES RALLY MANUFACTURING RECOVERY

According to our latest Quarterly Industrial Expectations Survey, taken in early November, district manufacturers are actively participating in the current economic expansion. District manufacturing sales (the value of manufactured goods sold) rose 12.7 percent on a year-to-year basis in the third quarter and are expected to continue at this rate in the fourth. First-half 1972 sales increased 10.9 percent. These gains are slightly above those anticipated last August.

Manufacturing industries comprise about 20 percent of the district's nonagricultural economy. Unlike retail and grocery firms, they rely mainly on national markets and thus are highly susceptible to fluctuations in national business cycles. During the 1969-70 recession, district manufacturing sales fell off sharply. When the national economy bottomed out in late 1970, district sales dropped below year-earlier levels. National economic recovery in the second half of 1971 pulled up manufacturing sales, and they have improved ever since.

Industrial Equip., Metals, Wood Products Best Sellers

Most of the recent growth in district manufacturing sales has been for durable goods. Durable goods—automobiles, furniture, industrial equipment, household appliances, farm machinery, for example—have a normal life expectancy of three years or more. In the district, the production of durable goods accounts for approximately 55 percent of total manufacturing activity and employs 207,000 workers.



Durable goods sales were up 15.0 percent year-to-year in the third quarter; a 17.9 percent increase is anticipated in the fourth. These increases exceed the first-half gain of 12.0 percent and noticeably surpass the 6.0 percent rise reported during the second half of 1971.

An analysis of the durable goods category shows that sales of electric and nonelectric machinery accounted for much of the recent strength. In the nonelectric machinery industry, responsible for approximately 20 percent of total district manufacturing activity and for 34 percent of district durable goods output, sales were up 18.3 percent from 1971 in the third quarter and are expected to continue at the same pace in the fourth. The relative importance of this industry is largely attributed to computer manufacturing.

Healthy sales were also reported in the lumber and wood products, primary metals, fabricating metals, and transportation equipment industries. Sales in the scientific instruments industry, which is quite dependent on defense and aerospace spending, increased 6.9 percent in the third quarter. However, manufacturers expect only a 1.4 percent gain in the fourth quarter due to defense spending cuts.

Manufacturing Health Linked to Economic Expansion

Durable goods sales have been relatively stronger than nondurable sales because of general economic prosperity. During periods of business recovery, businessmen and consumers make purchases which they previously deferred. Durable goods expenditures are, by nature, postponable but nondurable goods expenditures—for food, beverages, clothing, shoes, gasoline, etc.—are harder to delay. Nondurable goods have relatively short life-spans of three years or less.

Sales of nondurable goods increased 10.3 percent on a year-to-year basis in the third quarter. Fourth quarter sales should advance 7.4 percent. These gains essentially match those achieved in the first half of 1972. In the district's dominant nondurable goods industry—food and kindred products—sales increased 8.0 percent in the third quarter and are expected to gain 6.5 percent in the fourth. Recent rises in food costs probably account for much of the sales growth in this industry.

Durable Goods Sales Boost Lagging Employment

The heartening increases in district manufacturing sales throughout 1972 have only recently become perceptible in other measures of manufacturing activity. Static between February and August, district manufacturing employment rose approximately 1.4 percent—an increase of 5,000 jobs per month—in both September and October. Reflecting hefty durable goods sales, most of the recent increase in manufacturing jobs occurred in the durable goods industries. The average weekly hours of district manufacturing workers reached 41.5 in October, the highest level in three years. Industrial use of electricity, however, has changed very little since the beginning of the year and was no higher in October than in February.

NOVEMBER RAINS DAMPEN FARM PROSPECTS SOVIET GRAIN DEALS BUOY WHEAT PRICES

Wet weather and lower livestock prices brought some unexpected "bad luck" to district farmers and ranchers in November. Agricultural prospects looked rosy in October: results of early harvesting foreshadowed profitable crops of corn and soybeans. Estimates of district average yields per acre were 18 percent higher than last year for corn and 27 percent higher for soybeans. All these positive projections followed profitable market developments for wheat, a good wheat crop, and strong livestock prices.

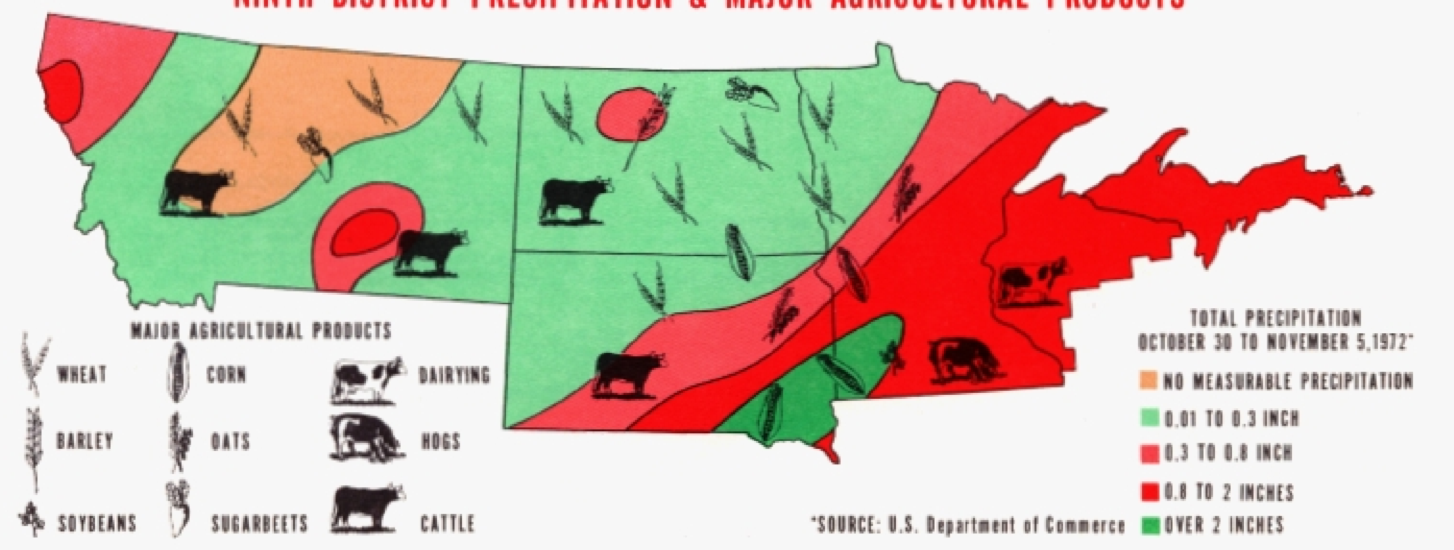
But by November, severe difficulties appeared for some farmers in the district. Wet weather forced harvesting operations to a near standstill for at least three weeks in portions of southern Minnesota and eastern South Dakota. On November 13, 31 percent of the corn and 12 percent of the soybeans remained in the fields in those areas and reports indicated grain losses and various types of moisture damage. Higher prices for corn and soybeans only partially offset losses.

Holiday Birds Trim Beef & Pork Profits

A further setback for district producers—prices for livestock weakened. Fattened beef cattle prices dropped from about $35 per hundredweight in late October to about $33 in late November for choice steers at South St. Paul. Although the price decline was not great, it may cause some cattle feeders to incur losses for cattle presently on feed. National supplies of beef increased temporarily while consumer demand declined toward the seasonal, holiday-time low. Abundant pork supplies also depressed beef cattle prices. A marketing surge nationally trimmed the five-month advance in hog prices. Prices declined from slightly above $29 to $27 per hundredweight and cheaper pork reduced beef sales. Hog prices recovered somewhat toward the end of November.

On the brighter side, the price of wheat remains high. Russian wheat purchases have swelled the quantities of wheat moving through district grain terminals and district farmers still have large amounts of valuable, stored wheat available for sale later this winter or early next spring.

NINTH DISTRICT PRECIPITATION & MAJOR AGRICULTURAL PRODUCTS



NINTH DISTRICT income and finance

INDICATOR	UNIT	1972 NOV.	1972 OCT.	1972 SEPT.	1971 OCT.	Percent Change OCT.-OCT.
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION						
Total Personal Income*						
Nonagricultural Personal Income*						
Average Weekly Earnings in Manufacturing[1]	Dollars	n.a.	166.60e	161.81p	151.05	+10.3
Consumer Installment Credit Outstanding[2]	Million $	n.a.	1,796	1,772	1,481	+21.3
Time and Savings Deposits at Member Banks	Million $	7,354	7,185	7,051	6,262	+14.7
Savings Balances at Savings & Loan Assoc.[3]	Million $	n.a.	5,064	5,027	4,297	+17.8
Cash Farm Receipts[3]	Million $	n.a.	692	526	603	+14.8
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS						
CITY BANKS[4,5]						
Adjusted Loans and Discounts[6]	Million $	3,344	3,250	3,188	2,697	+20.5
Commercial and Industrial Loans	Million $	1,508	1,506	1,420	1,140	+32.1
Real Estate Loans	Million $	615	604	595	486	+24.3
Gross Demand Deposits	Million $	2,191	2,216	2,141	2,293	- 3.6
Time Deposits	Million $	2,068	1,999	1,923	1,743	+14.7
U.S. Government Securities	Million $	488	424	419	549	-22.8
Other Securities	Million $	765	753	782	615	+22.4
COUNTRY BANKS[4,7]						
Loans and Discounts	Million $	5,089	4,939	4,877	4,284	+15.3
Gross Demand Deposits	Million $	2,794	2,806	2,586	2,549	+10.1
Time Deposits	Million $	5,285	5,186	5,128	4,519	+14.8
U.S. Government Securities	Million $	1,199	1,185	1,127	1,147	+ 3.3
Other Securities	Million $	1,670	1,652	1,622	1,452	+13.8
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS						
Total Reserves[8]	Million $	735	819	798	756	+ 8.3
Required Reserves	Million $	726	812	792	749	+ 8.4
Excess Reserves	Million $	9	7	6	7	
Borrowings from FRB	Million $	3	4	3	1	+300.0
Ratio of Loans to Total Deposits—City Banks[4]	Percent	81.9	79.0	79.0	69.1	+14.3
Ratio of Loans to Total Deposits—Country Banks[4]	Percent	63.0	61.8	63.2	60.6	+ 2.0
MEASURES OF PRICE LEVELS						
Consumer Price Index—Minneapolis[9,10]	Index	n.a.	127.2	n.a.	123.4	+ 3.1
Prices Received by Farmers—Minnesota[9]	Index	126	126	128	109	+15.6

NOTES

e–Partially estimated; all data not available

n.a.–Not available

p–Preliminary; subject to revision

r–Revised

sa–Seasonally adjusted

*–District and U.S. data not comparable

saar–Seasonally adjusted annual rate

FOOTNOTES

1. Excluding Northwestern Wisconsin
2. All commercial banks; estimated by sample
3. Excluding Northwestern Wisconsin and Upper Michigan
4. Last Wednesday of the month figures
5. Selected banks in major cities
6. Net loans and discounts less loans to domestic commercial city banks
7. All member banks, excluding the selected major city banks
8. Average of daily figures of the four or five weeks ending on Wednesday which contain at least four days falling within the month
9. Index: 1967 Base Period
10. Quarterly

UNITED STATES income and finance

Percent Change OCT.-OCT.	1972 NOV.	1972 OCT.	1972 SEPT.	1971 OCT.	UNIT	INDICATOR
						MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+10.0		962.0p	946.8	874.8	Billion $, saar	Total Personal Income
+10.1		935.6p	920.3	850.0	Billion $, saar	Nonagricultural Personal Income
+10.0		157.90p	157.87	143.60	Dollars	Average Weekly Earnings in Manufacturing
+16.6		58.3	57.6	50.0	Billion $	Consumer Installment Credit Outstanding[2]
+14.8		236.5	234.7	206.1	Billion $	Time and Savings Deposits at Member Banks
+19.0		202.0	200.0	169.8	Billion $	Savings Balances at Savings & Loan Assoc.
+10.9		7.1	5.4	6.4	Billion $	Cash Farm Receipts
						MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
						CITY BANKS[4,5]
+14.7		213.3	211.0	186.0	Billion $	Adjusted Loans and Discounts[6]
+ 5.3		87.5	86.6	83.1	Billion $	Commercial and Industrial Loans
+19.5		44.8	44.1	37.5	Billion $	Real Estate Loans
+ 3.9		150.0	146.1	144.4	Billion $	Gross Demand Deposits
+14.7		157.4	156.3	137.2	Billion $	Time Deposits
- 0.8		26.0	26.3	26.2	Billion $	U.S. Government Securities
+ 7.8		55.0	54.7	51.0	Billion $	Other Securities
						COUNTRY BANKS[4,7]
+16.6		82.2	80.9	70.5	Billion $	Loans and Discounts
+11.3		56.3	53.8	50.6	Billion $	Gross Demand Deposits
+14.6		79.1	78.4	69.0	Billion $	Time Deposits
+ 1.7		17.7	17.2	17.4	Billion $	U.S. Government Securities
+15.8		30.8	30.9	26.6	Billion $	Other Securities
						MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 9.6		33,781p	32,988	30,830	Million $	Total Reserves[8]
+ 9.5		33,558p	32,757	30,646	Million $	Required Reserves
+21.2		223p	231	184	Million $	Excess Reserves
+57.8		543p	563	344	Million $	Borrowings from FRB
+ 5.5		72.8	73.5	69.0	Percent	Ratio of Loans to Total Deposits—City Banks[4]
+ 2.9		60.7	61.2	59.0	Percent	Ratio of Loans to Total Deposits—Country Banks[4]
						MEASURES OF PRICE LEVELS
+ 3.4		126.6	126.2	122.4	Index	Consumer Price Index[9]
+13.2		129	128	114	Index	Prices Received by Farmers[9]

SOURCES

PERSONAL INCOME: U.S. Department of Commerce, Office of Business Economics

AVERAGE WEEKLY EARNINGS: Michigan, Minnesota, Montana, North Dakota, and South Dakota Employment Security Departments; U.S. Department of Labor, Bureau of Labor Statistics

COMMERCIAL BANK FINANCIAL DATA: Federal Reserve Bank of Minneapolis; Board of Governors of Federal Reserve System

SAVINGS AND LOAN ASSOCIATIONS: Federal Home Loan Bank Board

CASH RECEIPTS FROM FARM MARKETINGS: U.S. Department of Agriculture

CONSUMER PRICE INDEX: U.S. Department of Labor, Bureau of Labor Statistics

PRICES RECEIVED BY FARMERS: U.S. Department of Agriculture; Minnesota Farm Price Report

NINTH DISTRICT production and employment

	INDICATOR	UNIT	1972 OCT.	1972 SEPT.	1971 OCT.	Percent Change OCT.-OCT.
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining [1]	Index, sa	137	137	132	+ 3.8
	Production Worker Manhours: [1]	Index, sa	107p	105	98	+ 9.2
	Manufacturing	Index, sa	109p	108	100	+ 9.0
	Mining	Index, sa	90p	87	90	
	Total Construction Contracts Awarded	Million $, sa	n.a.	301.7	207.3	
	Residential Buildings	Million $, sa	n.a.	82.7	75.0	
	Nonresidential Buildings	Million $, sa	n.a.	144.8	44.3	
	All Other Construction	Million $, sa	n.a.	74.2	88.0	
	Bldg. Permits: New Housing Units[2]	Number	4,088	3,960	3,509	+16.5
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force[3]	Thousands, sa	2,659e	2,652p	2,628	+ 1.2
	Total Civilian Employment	Thousands, sa	2,501e	2,492p	2,478	+ 0.9
	Number Unemployed	Thousands, sa	158e	160p	150	+ 5.3
	Unemployment Rate [3]	Percent, sa	6.0e	6.0p	5.8	+ 3.4
	Average Weekly Hours in Manufacturing[3]	Hours, sa	41.6e	40.9p	39.9	+ 4.3
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm[3]	Thousands, sa	1,982p	1,965	1,949	+ 1.7
	Manufacturing	Thousands, sa	377p	373	366	+ 3.0
	Mining	Thousands, sa	30p	30	29	+ 3.4
	Construction	Thousands, sa	96p	93	99	- 3.0
	Transport., Comm., & Public Utilities	Thousands, sa	129p	126	131	- 1.5
	Trade	Thousands, sa	488p	484	478	+ 2.1
	Finance, Insurance & Real Estate	Thousands, sa	94p	94	91	+ 3.3
	Service Industries	Thousands, sa	326p	324	323	+ 0.9
	Government	Thousands, sa	442p	441	432	+ 2.3
MEASURES OF SPENDING	Total Retail Sales *					
	New Passenger Car Registrations	Thousands, sa	n.a.	n.a.	23.0	
	Bank Debits [4]	Billion $, saar	224.5	217.7	167.8	+33.8

NOTES

e—Partially estimated; all data not available

n.a.—Not available

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r—Revised

sa—Seasonally adjusted

*—District and U.S. data not comparable

saar—Seasonally adjusted annual rate

FOOTNOTES

1. Index: 1967 Base Period; Weights: 1967
2. A sample of permit-issuing centers
3. Excluding Northwestern Wisconsin
4. Six standard metropolitan statistical areas
5. A sample of centers blown up to represent total permits issued
6. 226 standard metropolitan statistical areas, excluding the seven leading centers

UNITED STATES production and employment

Percent Change OCT.-OCT.	1972 OCT.	1972 SEPT.	1971 OCT.	UNIT	INDICATOR	
+ 9.3	116.7p	115.7	106.8	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
					Electrical Energy Consumption: Mfg. and Mining*	
					Production Worker Manhours:[1]	
+ 6.5	98p	98p	92	Index, sa		
+ 5.4	98p	98p	93	Index, sa	Manufacturing	
+ 9.0	97p	100p	89	Index, sa	Mining	
+23.4	8,138.6	8,664.8	6,597.3	Million $, sa	Total Construction Contracts Awarded	
+37.1	4,116.9	4,223.7	3,001.9	Million $, sa	Residential Buildings	
+16.4	2,365.1	2,503.2	2,031.6	Million $, sa	Nonresidential Buildings	
+ 5.9	1,656.6	1,937.9	1,563.8	Million $, sa	All Other Construction	
	n.a.	n.a.	170.5	Thousands	Bldg. Permits: New Housing Units [5]	
+ 3.0	87,276p	87,049	84,750	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
+ 3.3	82,482p	82,222	79,832	Thousands, sa	Total Civilian Employment	
- 2.5	4,794p	4,827	4,918	Thousands, sa	Number Unemployed	
- 5.2	5.5p	5.5	5.8	Percent, sa	Unemployment Rate	
+ 2.0	40.7p	40.7	39.9	Hours, sa	Average Weekly Hours in Manufacturing	
+ 3.8	73,535p	73,232	70,861	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
+ 3.5	19,143p	19,017	18,495	Thousands, sa	Manufacturing	
+16.3	606p	605	521	Thousands, sa	Mining	
+ 2.1	3,547p	3,547	3,475	Thousands, sa	Construction	
+ 2.4	4,511p	4,489	4,406	Thousands, sa	Transport., Comm., & Public Utilities	
+ 3.9	15,849p	15,785	15,250	Thousands, sa	Trade	
+ 3.4	3,964p	3,952	3,835	Thousands, sa	Finance, Insurance & Real Estate	
+ 4.1	12,436p	12,396	11,951	Thousands, sa	Service Industries	
+ 4.3	13,479p	13,441	12,928	Thousands, sa	Government	
+10.9	38.8	37.7	35.0	Million $, sa	Total Retail Sales	MEASURES OF SPENDING
	n.a.	805.4	829.6	Thousands, sa	New Passenger Car Registrations	
+19.6	4,522.2	4,546.6	3,782.4	Billion $, saar	Bank Debits [6]	

SOURCES

INDUSTRIAL PRODUCTION: Board of Governors of Federal Reserve System

ELECTRICAL ENERGY CONSUMPTION: Federal Reserve Bank of Minneapolis

PRODUCTION WORKER MANHOURS: Federal Reserve Bank of Minneapolis

CONSTRUCTION CONTRACTS AWARDED: Board of Governors of Federal Reserve System; F. W. Dodge Corporation

NEW HOUSING UNITS AUTHORIZED: Federal Reserve Bank of Minneapolis; U.S. Department of Commerce, Bureau of Census

EMPLOYMENT, UNEMPLOYMENT, AND HOURS: Michigan, Minnesota, Montana, North Dakota, and South Dakota Employment Security Departments; U.S. Department of Labor, Bureau of Labor Statistics

RETAIL SALES: U.S. Department of Commerce, Bureau of Census

NEW PASSENGER CAR REGISTRATIONS: Automotive News Magazine

BANK DEBITS: Board of Governors of Federal Reserve System

SHARING THE WEALTH

REVENUE SHARING REDISTRIBUTES $30 BIL.

A new era in fiscal intergovernmental relations began on October 20, 1972 when President Nixon signed into law the State and Local Fiscal Assistance Act of 1972, or the "Revenue Sharing Bill." Revenue sharing will provide state and local governments $30.2 billion between 1972 and 1976. In contrast to traditional federal grant-in-aid programs, state and local governments will have considerable discretion spending revenue sharing funds and will not be required to put up a matching sum. The 1972 act culminates efforts begun in the late 1950s to secure general financial assistance for state and local governments.

Advocates contend revenue sharing will strengthen state and local governments in three ways. First, revenue sharing funds will help alleviate state and local fiscal pressures from the rapidly rising expenditures known to have propelled tax increases in recent years. Second, revenue sharing will redistribute resources from the affluent to the less affluent by shifting some government expenses from generally regressive state and local property and sales taxes to the more progressive federal income tax. Third, revenue sharing will make state and local governments financially viable and thus improve the federal system of government.

POPULATION, INCOME, TAXES DIRECT FUNDS

Revenue sharing begins retroactively January 1, 1972 with an initial annual entitlement of $5.3 billion; the entitlement will rise incrementally to approximately $6.5 billion in 1976. To disperse the funds, two separate formulas have been designed. The total annual amount is distributed, on paper, according to the criteria of each formula. Each state then claims money under the formula which proves more lucrative.

One formula distributes funds by adjusting population figures for state and local tax effort and relative income. This systems works to the advantage of district states Montana, North Dakota, South Dakota, and Wisconsin. An alternate formula encourages greater reliance on the income tax: One-third of the total entitlement is divided among states according to their state income tax collections and their state and local tax efforts. The remaining two-thirds is allocated according to total population, percentage of urbanized population, and population adjusted for relative income. In the district, Michigan and Minnesota benefit most from this formula.

Of the funds going to a state, approximately one-third is for the state government and the rest is divided among local governments—municipalities, townships, and counties. Governing bodies of Indian tribes and Alaskan native villages also receive revenue sharing funds.

ADDITIONAL MONIES CARRY RESTRICTIONS

State governments are granted broad discretion in spending their revenue sharing allotments, but will be penalized if they reduce financial support to localities. Local governments are only allowed to use funds for capital expenditures authorized by law and for ordinary operating and maintenance expenditures.

All recipients must adhere to several administrative provisions: State and local governments, for example, must publicly report on the planned and actual use of all shared revenues. Also, discrimination by race, nationality or sex is prohibited in any program funded with revenue sharing monies.

Revenue sharing funds will initially be a "windfall" for many state and local governments because these funds were not incorporated into current budgets. The magnitude of shared revenues will not drastically change state and local financing but should help offset the rising costs of existing programs and permit some new undertakings. Based on general revenues received in fiscal 1971, South Dakota's allocation will be 5.1 percent of general total state and local revenues; Montana's, North Dakota's, and Wisconsin's about 4.0 percent; Michigan's and Minnesota's around 3.5 percent.

A telephone survey of district state and local officials revealed that state governments generally plan to use their revenue sharing funds to increase elementary and secondary school aid and to relieve property taxes. Local governments will probably use revenue sharing funds to defray the cost of existing programs, provide property tax relief, or undertake projects formerly deferred because of fund shortages. In future years, both state and local officials expect revenue sharing to diminish the need for tax increases.

ACT ALSO LIMITS CURRENT AID PROGRAMS

While the State and Local Fiscal Assistance Act of 1972 provides a new source of general revenue, it also establishes new restrictions for existing federal grant-in-aid programs. A $2.5 billion ceiling was placed on federal matching social service grants to state and local governments. Each state's share is limited to the same percentage of the $2.5 billion as the percentage of its population to total U.S. population. Consequently, state and local governments with large welfare expenditures could conceivably end up losing more in social service grants-in-aid than they will gain from revenue sharing. In a further attempt to restrain state requests for funds, the law requires that no more than 10 percent of state matching social service grant-in-aid funds be spent on programs for persons now on welfare. Exceptions were made, however, for child care, family planning, mental retardation, alcoholism, drug addiction, and foster home programs.