

10. The Commission recommends State legislation authorizing the use of taxing powers by areawide metropolitan service agencies carrying on functions not solely financed by user charges.

Current examples of areawide service agencies utilizing taxing powers in addition to user charges include the new transit district for the San Francisco metropolitan area; the Maryland National Capital Park and Planning Commission in its administration of a park acquisition program; port districts in Washington and Oregon; hospital districts in Texas; junior college districts in California, Florida, and Texas; and library districts in a number of States.

3. EQUALIZING LOCAL GOVERNMENT FINANCES

State action should be taken to smooth out the fiscal contours of a metropolitan landscape broken up by local government boundaries. States have primary responsibility to deal effectively with this disparity problem by providing more assistance in financing local governmental services.

11. The Commission recommends that each State examine its present system of grants, shared taxes, and authorization for local nonproperty taxes, and remove all features that aggravate differences in local fiscal capacity to deal with service requirements in metropolitan areas and that encourage or support the proliferation of local governments within these areas.

Formulas for distributing State grants and sharing State taxes can have a significant effect on the relative ability of localities to deal with their public service problems. State grants and shared taxes may also aggravate disparities by acting to proliferate local governments within metropolitan areas, whether or not these effects are intended. In some cases, a State shares income tax revenue with local governments, or authorizes local governments to impose an income tax, solely on the basis of place of residence. Wealthy citizens, in particular, are thereby given a tax incentive for leaving the central city and incorporating suburban communities in order to get a share of the State income tax and thereby lessen their property tax load. In other cases, where State grants are made to all incorporated units, there is a tendency to stimulate new incorporations without regard to whether they are in the interest of the best long-range pattern of governmental development in the area. Annexation by an existing municipality or incorporation with adjoining territory to form a much larger unit might be more desirable alternatives from the standpoint of removing or forestalling disparities in services and finances.

12. The Commission recommends that the States consider the merit of using State grant funds to equalize local property tax loads among local jurisdictions in metropolitan areas.

The property tax is the major, and in many cases the sole, source of tax revenue of local governments. In 1962, it accounted for over 87 percent of local tax revenue. The extent to which local units use the property tax is, therefore, probably a good general index of the pressure of local public service needs and the degree to which the locality is taxing itself to meet those needs. Thus, a State grant program based on property tax effort will direct funds to those communities