But it is reasonable to conclude that the fiscal resources for substantial improvements in state and local government services will be made available even without massive new federal aid beyond that implicit in present legislation.

Although state and local governments can secure the funds necessary to provide substantial increases in scope and quality of public services between now and 1975, there is no room for complacency with regard to the adequacy of the state and local revenue system. If the public demands faster improvement in scope and quality of services, additional funds will be needed beyond those available from the present tax structure. There are many possibilities for improving and changing the revenue-raising structure of state and local governments in a manner which would increase revenue beyond the amounts available from a fixed structure.

Through time, the ratio of the property tax assessments to the actual market value of taxable property has fallen. It has been estimated that the lag in reassessment between 1956 and 1961 resulted in an increase of assessed valuations which was almost 20 percent below the actual increase in the market value of taxable property. A reassessment lag of this proportion between 1965–75 could cost local governments nearly $4 billion in 1975. Additionally, partial exemption from property taxation for special interest groups, such as veterans and the aged, have been growing. Because of declines in the ratio of assessed value to market value of property, the value of these exemptions may also be growing unintentionally. At the 1956–61 rate of increase, about 5 percent of potential property tax revenues, or about $2.0 billion, would be lost due to partial exemptions in 1975.

In 1965, 37 states had general sales taxes, through which $6.7 billion, equivalent to 1.9 percent of their personal incomes was raised. The range of collections relative to personal income was from 0.8 percent in Wisconsin to 4.3 percent in Hawaii. The broad differences resulted from different coverages as well as in tax rates. We may be able to approximate a level of potential revenue from realistically higher state general sales taxes by estimating the revenue which would be yielded if each state without the tax or with a lower than average general sales tax burden (defined as tax revenue relative to personal income) adopted the tax or raised its rates and coverage to the average of the taxing states. The states with lower than average state general sales tax burdens and those states not having legislated general sales taxes by fiscal year 1965 collected $3.1 billion in general sales tax revenue in 1965, but would have collected $4.4 billion had their sales tax burdens been 1.9 percent. The difference would grow to over $2 billion by 1975.

The possibilities for increases in state personal income tax yields are considerable because 17 states, many of them large industrial states, do not use this tax. These states accounted for 41.7 percent of personal income in 1964, excluding D.C. If the states without personal income taxes or with burdens below the average of 1.3 percent of personal income had taxed at the average level, an additional $3.2 billion would have been collected. In 1975, this would amount to about $7.5 billion.

Representative GRIFFITHS. I am glad to hear that somebody believes that the States aren't really doing all they can to help themselves.

Mr. Netzer?

## STATEMENT OF DICK NETZER, PROFESSOR OF ECONOMICS, NEW YORK UNIVERSITY

Mr. NETZER. Thank you, Mrs. Griffiths.

I am somewhat diffident about my role here. I have no specific set of projections to present to you. The projections of the other participants in this program, including Dr. Mushkin's projections, are ones that have involved substantial resources in first-rate research jobs.

As a matter of fact, projections of the future fiscal prospects of State and local governments have proliferated, drastically improved in technique, and have become steadily more optimistic over the last decade since I first began making projections of States and local fiscal