

POSSIBLE REMEDIES

To the extent that the defects of the property tax are inherent ones, the principal remedies must take the form of some reduction in the reliance on the property tax for the financing of urban public services.³⁷ The alternative financing is by higher levels of government which do not use the property tax, or by other local government revenue sources. Reduced reliance on the property tax will also diminish the importance of the other types of defects, mainly related to the fragmented local government patterns. But these latter defects can also be remedied in part by reforms within the institution of the property tax itself.

INCREASE STATE-FEDERAL RESPONSIBILITIES

The increase of State and Federal Government responsibilities is an obvious route toward reduced reliance on the property tax, and one which is in keeping with developments in fiscal federalism since the 1920's.

These developments include both the transfer of direct responsibility for the actual performance of some functions from the local to State and Federal levels of government, and increased State and Federal financing of functions still performed at the local level.

Consider four of the major functional classes of civilian public expenditure: education; highways; public welfare; health; and hospitals. In each case, the local government share of total direct public expenditure by all three levels of government declined appreciably from 1927 to 1965-66; for example, from 71 to 32 percent for highways and from 69 to 52 percent for welfare. But there were even larger declines in the proportions of local government expenditure financed from local, rather than State and Federal, revenue sources. As a result of this (and of another much less important factor, the expansion of local nonproperty revenue sources), the property tax now finances half or less of *local* expenditure for these functions, compared to 75 percent or more in 1927.

The combined effect of functional transfers, increased grants-in-aid, and increased use of local nonproperty revenue sources is indicated by the following estimates of the percentages of *total* public expenditure of all levels of government financed by the property tax:³⁸

³⁷ This does not necessarily mean a rollback in property tax levies or rates. In practice it will mean a reduction in the *relative* role of the property tax; that is, financing increased expenditures in future years from revenue sources other than the property tax.

³⁸ These are very rough estimates based on Census Bureau data; they somewhat overstate the decline for education.