[In percent]

	1965–66	1927
Education	37	73
Highways	13	56
Public welfare	8	61
Health and hospitals	15	32

Suppose the 1927 percentages prevailed today, and expenditure levels were no different than they are. To finance these four functions, local governments would have needed, in 1965–66, an additional $23 billion in property tax revenue, above and beyond the $23.8 billion they actually received ($12.5 billion more for education; $5.5 billion more for highways; $5.1 billion more for health and welfare services). Thus, we can say that during this period, there has been an upward shift of nearly half the potential property tax burden.

But a strong argument can be made for further upward shifts, in two functional areas. One is education; very small portions of the eventual benefits from education are recaptured within the confines of individual school districts, since our population is so mobile—perhaps no more than 20 percent on the average. This argues for a much increased role for external financing, especially at the Federal level. Since education now absorbs slightly over half of current property tax revenues, such shifts could greatly reduce reliance on the property tax.

A second area is that of poverty-linked services, notably welfare and health services, which now absorb roughly 10 percent of total property tax revenues, but substantially more for the large central cities. A good case can be made for relieving the property tax of the job of financing *all* public services linked to the existence of poverty. Since this burden if concentrated in central cities, it would alleviate the central city-suburban disparities and the property tax problems these create; it would also alleviate the regressivity problem in the sense of taxing the poor for services to the poor.

This is very much in keeping with the historic trends. During the last 30 years, each of the important institutional changes which reduced pressures on the property tax has been associated with redistributive services. These include the Federal and State assumption of most public welfare costs in the thirties, via grants-in-aid, transfers of functional responsibilities, or direct Federal social insurance programs; the steady expansion of the State government role in financing education in the past 20 years; the gradual increase in Federal financing of health services (either directly or through grants-in-aid), culminating in medicare and the 1965 social security amendments; the Federal role in the provision of housing for low-income people; and most recently, the new Federal participation in antipoverty programs and in the costs of education where there are extensive pockets of poverty. All of these Federal-State aids combined have not been sufficient to keep effective property tax rates from rising at a fairly rapid rate. But without external aid to urban-area local governments, the rise might have been far more rapid.