

TAX BASE CONSOLIDATION

One would be to regionalize a segment of the tax base—eliminate local taxes on some types of property and levy property taxes on these types over a broader area, with either use of the proceeds for region-wide (or statewide) functions or distribution of the proceeds to local government units on the basis of some measure of need. A frequent suggestion along these lines is for regional or statewide taxation of business property, to eliminate local competition for economic activity and attendant pressures on land use planning.⁴²

FISCAL FEDERATION

A second approach is to regionalize the financing (and perhaps administration) of part or all of selected local government functions, but still utilize the property tax to the extent it is now used. The most dramatic proposal along these lines is to employ a statewide property tax for the great bulk of (non-Federal) school funds.⁴³ There also have been proposals for metropolitan areawide school financing in, perhaps, some kind of fiscal federation. Under this scheme, State school aid would continue as at present, but paid to an areawide authority. The area authority would then levy a uniform areawide property tax and distribute this revenue and the State aid on a per pupil basis. For most school districts, this would provide adequate program levels. However, they would be free to supplement the levels with local levies, but presumably only few districts would do so. Since property taxes for schools amount to roughly half of total property taxes, there would be an appreciable reduction in property tax disparities.

Smaller, but real, reductions in disparities would result from metropolitan areawide financing of functions with a fundamentally regional character, like transportation and waste disposal. Within single-county SMSA's, this could be done on a county basis. In fact, even in multi-county SMSA's, significant reductions in disparities could be achieved by increased countywide financing. An indication of the potential can be found in aggregate data for SMSA's from the 1962 Census of Governments.

Consider a few functions with a regional character, or for which countywide administration is common in some parts of the country. Expenditure for these functions can be derived into that handled by county-scope units of governments (counties, combined city-county governments like New York, Philadelphia, and Baltimore, and large special districts) and that handled by subcounty units. The following is the approximate proportion of SMSA local government expenditure in 1962 handled by subcounty units:

	Percent
Highways	55
Waste disposal	60
Parks and recreation	60
Health and hospitals	30
Public welfare	15

⁴² It should be noted that the planning difficulties could be accommodated in another way—by regionalizing *land use controls* rather than taxation. There is much to be said for this course of action; indeed, there is hardly anything to be said in defense of land use planning by a huge number of small jurisdictions. But this is an entirely separate subject.

⁴³ This has been proposed by Lynn A. Stiles, of the Federal Reserve Bank of Chicago.