

**A REVIEW OF REVENUE SHARING PAYMENTS
IN FY 2000-01 AND BEYOND**

by

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THE SENATE FISCAL AGENCY

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INTRODUCTION

Revenue sharing payments depend on a number of variables, such as the growth in sales tax revenue or the appropriation level, the distribution formulas, and population. The Glenn Steil State Revenue Sharing Act, Public Act 532 of 1998, changed the statutory formulas for distribution of revenue sharing payments beginning in fiscal year (FY) 1998-99. In FY 2000-01, the phase-in of the new distribution methods will continue and the revenue sharing payments will be based on the 2000 Federal decennial census figures. In addition, one new formula provides that the 8% cap on total revenue sharing payments does not apply to cities, villages, and townships that have a population increase of 10% or more between the 1990 and 2000 Federal decennial census. Many local units have experienced significant changes in population and, as a result, also may experience significant changes in revenue sharing payments. This article includes a brief description of the State revenue sharing formulas and an overview of the projected population changes. Finally, a description of the estimated fiscal impact of the combined effects of the appropriated level of revenue sharing payments, the distribution formulas, and the 2000 census figures on the revenue sharing payments is included.

A BRIEF DESCRIPTION OF THE REVENUE SHARING FORMULAS

The State revenue sharing formulas distribute 15% of sales tax revenue collected from 4% of the 6% tax rate, as required by the State's Constitution, and an additional 21.3% of the sales tax revenue is distributed under the State's statutory law to local units of government to use as unrestricted revenues. These constitutional and statutory earmarkings are distributed in different ways to local governments. Since FY 1996-97, State revenue sharing payments have been limited to the total amount appropriated in the general government budget bill. As a result, if the constitutional sales tax portion must increase, due to additional sales tax revenue growth, then the statutory portion to all local units will decrease by an equal amount. Beginning in FY 1999-2000, any constitutional increase will be offset by a decrease in the city, village, and township portion of the statutory payments.

General Trends

Formulas that were recently revised are used to allocate the revenue sharing payments to local units. These distribution methods will sunset on June 30, 2007, at which time new distribution formulas will need to be enacted. Overall, the formula changes recently enacted reallocated money away from cities as a group and to villages and townships as a group. As indicated in Figure 1, in FY 1996-97, prior to any change in the distribution methods, cities received 62.6% of the total revenue sharing payments and townships received 20.7% of the total revenue sharing payments. In FY 2000-01, it is estimated that cities will receive 58.7% and townships will receive 24.4% of the total revenue sharing payments. This trend is expected to continue, as the formula continues to be phased-in through the next fiscal years.

Table 1 includes the total restricted revenue sharing payments by local unit type and the City of Detroit from FY 1996-97 through FY 2000-01. In addition, revenue sharing growth rates are included for the entire State, as well as for the following two local unit groups: counties, and cities, villages, and townships. The last two lines of the table indicate the growth rates of the cities, villages, and townships, excluding the City of Detroit, that are due to revenue or appropriation increases and growth due to the freeze in revenue sharing payments to the City of Detroit (described below). In FY 1999-2000 and FY 2000-01, the revenue sharing estimates

indicated that approximately 27% of the revenue sharing increase to cities, villages, and townships is due to the Detroit freeze factor, while 73% is due to the increases in revenue sharing appropriations.

Figure 1

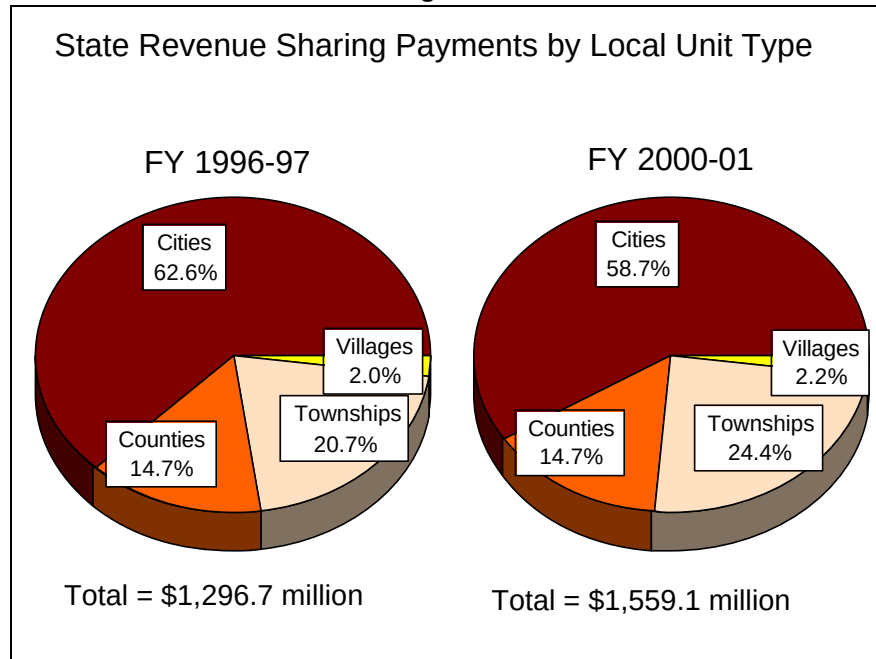


Table 1

TOTAL REVENUE SHARING PAYMENTS: FY 1996-97 - FY 2000-01 (millions of dollars)					
	Actual FY 1996-97	Actual FY 1997-98	Actual FY 1998-99	Enacted Estimate FY 1999-2000	Gov's Rec. Full Funding Est. FY 2000-01
Total Revenue Sharing Payments	\$1,296.4	\$1,361.5	\$1,380.7	\$1,462.5	\$1,559.1
Total Counties	190.4	200.0	200.6	214.3	229.2
Total CVTs	1,106.0	1,161.5	1,180.1	1,248.2	1,329.9
City of Detroit	329.3	331.0	333.9	333.9	333.9
Subtotal to CVTs Less Detroit .	776.7	830.5	846.2	914.3	996.0
Percent Change from Previous Fiscal Year					
Total		5.0%	1.4%	5.9%	6.6%
Total Counties		5.0%	0.3%	6.8%	7.0%
Total CVTs		5.0%	1.6%	5.8%	6.5%
City of Detroit		0.5%	0.9%	0.0%	0.0%
Subtotal to CVTs Less Detroit		6.9%	1.9%	8.0%	8.9%
CVT Growth Due to Revenue/Appropriation . .		5.0%	1.6%	5.8%	6.5%
CVT Growth Due to Detroit Freeze		1.9%	0.3%	2.2%	2.4%
Note: CVTs are cities, villages, and townships. Figures do not include special census payments.					

City of Detroit

The City of Detroit was frozen at \$333.9 million in FY 1998-99 and in every fiscal year that follows through June 30, 2007. Population changes in the 2000 census do not affect the City of Detroit's revenue sharing payment. However, if sales tax revenue declines in a fiscal year, then the City of Detroit's statutory revenue sharing payments will decline by the same percentage as the decline in sales tax revenue.

Details on the other specifics of the revenue sharing distribution methods are described below.

Counties

Counties receive 25.06% of the statutory payments and none of the constitutionally required payments. The county inventory payments are frozen at the FY 1997-98 level and the remaining portion is distributed on a per-capita basis. The inventory payments are based on the county millage rates multiplied by the 1975 State equalized value of business inventory. The counties are not subject to the 8% cap formula, which is discussed below.

Cities, Villages, and Townships

Cities, villages, and townships receive 74.94% of the total statutory payments. Cities, villages, and townships also receive the payments required by the Constitution. The constitutional revenue sharing payments are distributed on a per-capita basis. Statutory payments to cities, villages, and townships, except as previously indicated for the City of Detroit, are based on three formulas that are weighted equally and are phased-in at a rate of at most one-tenth in each fiscal year. If the appropriated statutory amount is less than 21.3% of the sales tax revenue collected from 4% of the 6% tax rate, then the payments from the three new formulas are reduced to ensure that the old statutory formula is based on the entire 21.3% of sales tax revenue. While the three new statutory formulas are phased-in, the old or previous statutory formulas are phased-out.

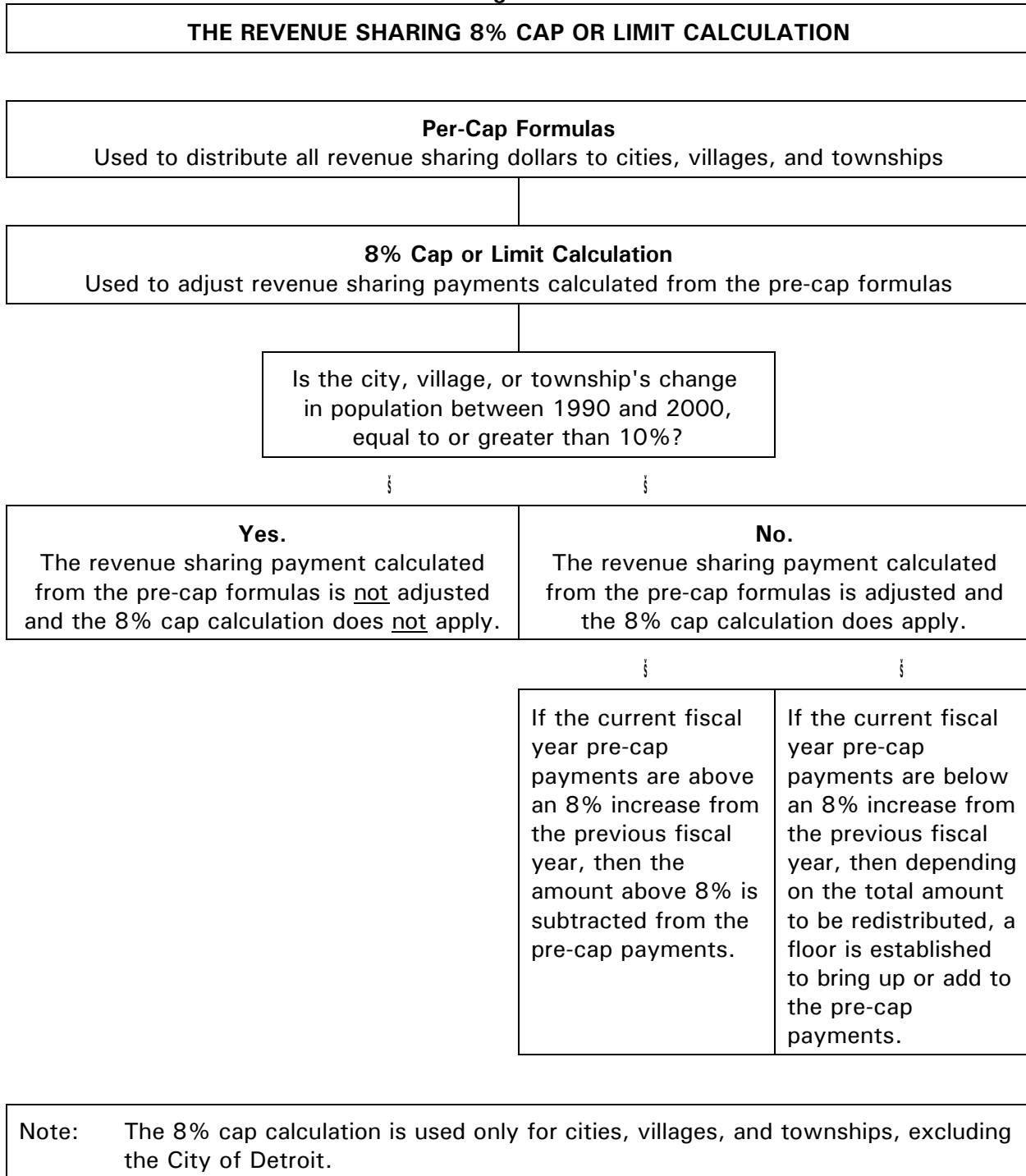
The three underlying formulas are 1) the inverse taxable property value per-capita, 2) the yield equalization, and 3) the local unit type and population group.

The inverse taxable property value per-capita formula is the statewide taxable property value per capita divided by each local unit's taxable property value per capita. The higher (lower) a local unit's taxable property value per person, the lower (higher) the population weight factor and the lower (higher) the revenue sharing payment.

The yield equalization method equalizes the return for each mill levied, up to a maximum of 20 mills. Local units with relatively low taxable property value per-capita figures receive yield equalization payments, while local units with relatively high taxable property value per-capita levels receive no revenue sharing payments under this method.

Under the local unit type and population group formula, local unit populations are weighted according to a schedule. The cities, townships with a population over 20,000, and townships with a population of 10,000 to 20,000 that provide certain services, are weighted the highest, then the villages, followed by the remaining townships; within the unit types the higher (lower) the population, the higher (lower) the weight. Essentially, the higher (lower) the weight factor, the higher (lower) the revenue sharing payment.

Figure 2



As indicated in Figure 2, after all revenue sharing payments are calculated using the underlying formulas, a second formula, referred to as the cap or 8% limit calculation, is used both to subtract and to add payment adjustments to the cities, villages, and townships. The 8% cap, which does not apply to the City of Detroit, is one of two phase-in mechanisms of the new revenue sharing formulas. In FY 1998-99 and in FY 1999-2000, the revenue sharing formula for cities, villages, and townships limits fiscal year annual increases to 8%. Any amount above the 8% limit is redistributed to provide a floor or minimum guaranteed percentage level.

However, beginning in FY 2000-01, the 8% cap does not apply to cities, villages, and townships that have a population increase equal to or greater than 10% between the 1990 and 2000 Federal decennial census.

OVERVIEW OF THE PROJECTED POPULATION CHANGES

The State revenue sharing population figures for the State and the local units within the State are based on the most recent Federal decennial census figures from the United States Bureau of the Census. The population used for revenue sharing payments, as indicated in Michigan Compiled Law (MCL) 141.903, is the statewide Federal census less 50% of the number of people in institutional facilities, specifically patients and convicts in government-supported mental health institutions, jails, and prisons.

The projected State revenue sharing population figures for 2000, which were obtained from the Michigan State Demographer, were used to compute revenue sharing payments by local unit for FY 2000-01. It is important to stress that the projected 2000 census figures used in the revenue sharing estimates may change substantially from the final statewide Federal census for 2000. However, given the projections, the State as a whole is expected to have a revenue sharing population of 9,859,411 in 2000, which is approximately 588,600 or 6.3% above the 1990 State revenue sharing population.

Population Trends by Local Unit Type

Table 2 depicts the number of local units, as well as the percentage of local units by unit type, that are expected to have population changes in the various ranges indicated. Approximately half of the counties are expected to post population growth of at least 10%, while 11 or 13% of the counties are expected to post population declines. The data for the local units within the counties depict an interesting population shift. The two largest categories of population change are townships that have large population increases and cities that have population declines. Over 60% of the townships are expected to post population growth of 10% or more, while approximately 40% of the cities are expected to post population declines.

Implementation of the 2000 Census

Revenue sharing payments must be paid based on the most recent decennial census, which means that in the beginning of FY 2000-01, payments will be distributed not on estimates of the 2000 population, but on the actual 1990 population. It is important to note that the 2000 census data will not be available until mid-way through FY 2000-01. As a result, adjustments will need to be made in each local unit's payment to reflect the new population figures. Local units receive six revenue sharing payments in each fiscal year, specifically at the end of October, December, February, April, June, and August. The Michigan Department of Treasury is expected to receive 2000 census figures in June 2000 and is expected to make positive and negative retroactive payment adjustments in June and August. The same population lag and retroactive payment adjustments occurred with the implementation of the 1990 census in the FY 1990-91 revenue sharing payments.

The results of the estimated population changes, in conjunction with the FY 2000-01 estimated full-funding payment level, and the revenue sharing distribution formulas are elaborated on in the next section.

Table 2

ESTIMATED PERCENT CHANGE IN REVENUE SHARING POPULATION FIGURES FROM 1999 to 2000 BY LOCAL UNIT TYPE					
Type	Number of Local Units Population Percent Change				Total
	Less than 0%	At least 0% but Less than 5%	At least 5% but Less than 10%	Equal to or Greater than 10%	
Cities	114	72	35	52	273
Villages	75	51	48	89	263
Townships	120	177	172	771	1,240
Subtotal	309	300	255	912	1,776
Counties	11	12	18	42	83
Type	Percent of Total Population Percent Change				Total
	Less than 0%	At least 0% but Less than 5%	At least 5% but Less than 10%	Equal to or Greater than 10%	
Cities	42%	26%	13%	19%	100%
Villages	29%	19%	18%	34%	100%
Townships	10%	14%	14%	62%	100%
Subtotal	17%	17%	14%	51%	100%
Counties	13%	14%	22%	51%	100%

**REVENUE SHARING PAYMENTS GIVEN THE ESTIMATED FY 2000-01 FULL-FUNDING LEVEL,
THE DISTRIBUTION FORMULAS, AND THE 2000 CENSUS**

As previously indicated, the three major factors that determine the revenue sharing payments for the local units include the level of funding or appropriation, the distribution formula, and the population of the local units. Two of the major variables have previously been discussed. The total amount distributed is elaborated on next. It is important to note that the FY 1999-2000 and FY 2000-01 estimates presented in this paper will vary from the final figures based on the degree to which the actual sales tax revenue and population figures differ from the current estimates.

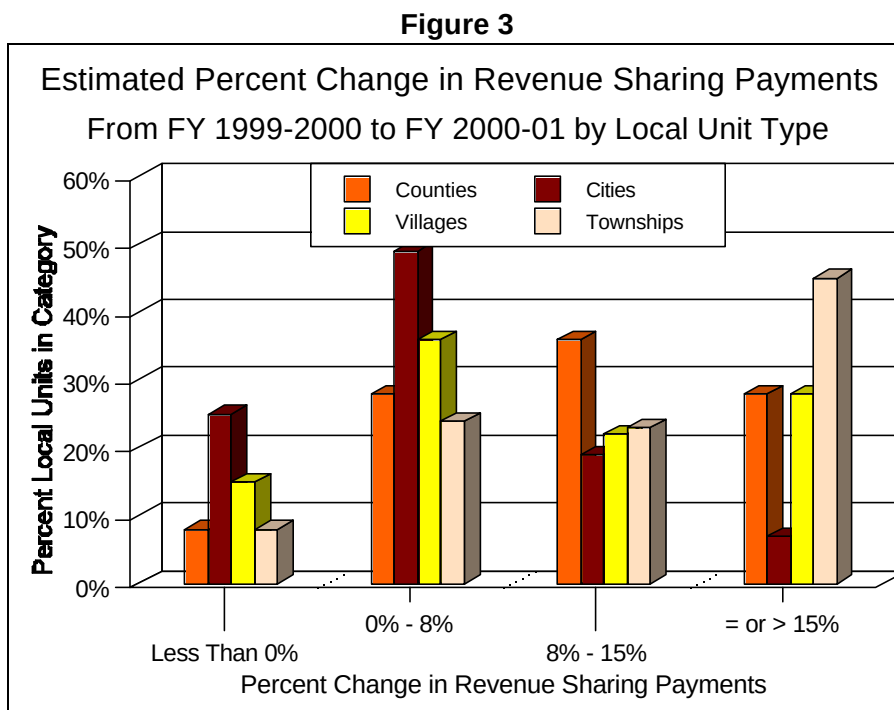
In January 2000, consensus sales tax revenue figures were estimated for FY 1999-2000 and FY 2000-01. In FY 1999-2000, restricted and special census revenue sharing payments are estimated to total \$1.47 billion, which is a 5.9% increase from FY 1998-99. Since the 2000 revenue sharing population will be used to make the FY 2000-01 revenue sharing payments, special census payments will end with FY 1999-2000. In FY 2000-01, the Governor has recommended that revenue sharing payments be fully funded. These payments are estimated to total \$1.56 billion and represent a 6.1% increase. Full funding in FY 2000-01, to a large degree, will mitigate negative consequences of population declines.

FY 2000-01 Revenue Sharing Payment Summary by Local Unit Type

One method to determine how a local entity is fairing with revenue sharing payments, given the major variables that determine the level of payments, is to compare the State revenue sharing growth with the individual local unit's revenue sharing growth. As a whole, counties are estimated to post a revenue sharing increase of 7.0% in FY 2000-01 under the full-funding level. While 30 counties are estimated to be below 7.0%, the remaining 53 counties are estimated to be above 7.0%. In FY 2000-01, as a group, cities, villages, and townships are estimated to increase 6.5%, excluding the special census payments. Over 1,270, or 72%, of

the cities, villages, and townships are above 6.5%, while approximately 510, or 28%, of the cities, villages, and townships are below 6.5%. Certainly the revenue sharing payment freeze of the City of Detroit, the largest city in the State, plays a significant role in the estimated number of cities, villages, and townships above the 6.5% revenue sharing growth.

Figure 3, which provides more detailed information, shows the percentage of local units that are expected to have estimated revenue sharing payment percentage changes in various categories. In FY 2000-01, only 8% of the counties are expected to have a decline in revenue sharing payments, while the remaining counties are almost evenly divided in the ranges of growth indicated. In FY 2000-01, 25% of the cities, 15% of the villages, and 8% of the townships are estimated to post revenue sharing declines. However, 26% of the cities, 50% of the villages, and 68% of the townships are estimated to post revenue sharing gains of 8% or higher. The estimates also show that approximately 6% of the cities, 28% of the villages, and 45% of the townships are expected to post revenue sharing increases of at least 15%. In FY 2000-01, the majority of the cities and villages are estimated to have revenue sharing growth or increases up to 8%, but the majority of townships are estimated to have revenue sharing increases of at least 15%.



Tables 3 and 4 depict projected population and estimated revenue sharing payment data for local units with a projected 2000 revenue sharing population equal to or above 35,000. The tables include actual and projected revenue sharing population for 1990 and 2000, and the percentage change, as well as the estimated revenue sharing payments for FY 1999-2000 and FY 2000-01, and the percentage change.

Table 3

POPULATION PROJECTIONS FOR 1990 & 2000 AND REVENUE SHARING PAYMENT ESTIMATES FOR FY 1999-2000 & FY 2000-01 FOR COUNTIES WITH AN ESTIMATED 2000 REVENUE SHARING POPULATION ABOVE 35,000 SORTED BY POPULATION PERCENT CHANGE						
County	Revenue Sharing Projected Population			Revenue Sharing Estimated Payments		
	1990	2000 Est.	Percent Change	FY 1999-2000	FY 2000-2001	Percent Change
Marquette	70,416	58,154	-17.4%	\$1,492,137	\$1,270,659	-14.8%
Bay	111,636	109,385	-2.0%	2,772,054	2,764,957	-0.3%
Saginaw	211,765	208,781	-1.4%	4,908,033	4,920,319	0.3%
Berrien	161,221	159,312	-1.2%	3,781,638	3,798,264	0.4%
Wayne	2,109,282	2,098,713	-0.5%	53,859,127	54,364,949	0.9%
Houghton	35,433	35,462	0.1%	742,385	755,007	1.7%
Cass	49,453	49,551	0.2%	1,071,522	1,090,306	1.8%
Ingham	281,672	283,341	0.6%	6,456,849	6,586,045	2.0%
Huron	34,918	35,330	1.2%	800,576	820,705	2.5%
Genesee	430,218	436,516	1.5%	10,399,647	10,672,020	2.6%
Kalamazoo	223,023	229,768	3.0%	5,205,003	5,415,843	4.1%
Delta	37,762	38,997	3.3%	841,178	878,740	4.5%
Gratiot	38,713	40,069	3.5%	878,814	919,121	4.6%
St Joseph	58,837	61,413	4.4%	1,397,488	1,469,051	5.1%
Shiawassee	69,715	72,784	4.4%	1,506,024	1,591,159	5.7%
Calhoun	135,679	142,525	5.0%	3,154,904	3,338,058	5.8%
Jackson	146,150	154,009	5.4%	3,420,131	3,627,127	6.1%
Tuscola	55,142	58,224	5.6%	1,172,409	1,252,847	6.9%
Branch	40,727	43,070	5.8%	954,240	1,014,984	6.4%
Muskegon	157,429	166,906	6.0%	3,631,150	3,874,362	6.7%
Isabella	54,503	58,670	7.6%	1,150,413	1,252,349	8.9%
Van Buren	70,014	76,066	8.6%	1,526,585	1,671,512	9.5%
Lenawee	90,864	98,808	8.7%	2,015,984	2,205,877	9.4%
Sanilac	39,906	43,424	8.8%	887,972	971,958	9.5%
Hillsdale	43,399	47,246	8.9%	944,209	1,035,972	9.7%
Monroe	133,536	146,080	9.4%	2,895,452	3,191,930	10.2%
Washtenaw	281,105	307,493	9.4%	6,217,832	6,841,572	10.0%
Midland	75,614	82,908	9.6%	1,864,529	2,036,233	9.2%
Oakland	1,082,382	1,188,399	9.8%	23,608,520	26,098,500	10.5%
Eaton	92,829	102,216	10.1%	2,105,373	2,324,816	10.4%
Barry	50,031	55,133	10.2%	1,066,617	1,185,743	11.2%
Kent	500,132	552,233	10.4%	11,353,749	12,566,618	10.7%
Ionia	54,583	60,275	10.4%	1,186,992	1,319,473	11.2%
Macomb	716,936	795,134	10.9%	15,815,510	17,624,425	11.4%
Mecosta	37,283	41,375	11.0%	821,398	915,980	11.5%
Clinton	57,879	64,372	11.2%	1,198,297	1,347,941	12.5%
Chippewa	32,602	36,328	11.4%	680,843	766,507	12.6%
St Clair	145,518	163,308	12.2%	3,420,708	3,826,254	11.9%
Allegan	90,218	103,722	15.0%	2,048,886	2,349,841	14.7%
Montcalm	52,206	60,931	16.7%	1,175,830	1,368,201	16.4%
Gr Traverse	64,091	75,832	18.3%	1,416,896	1,673,681	18.1%
Lapeer	74,339	90,210	21.4%	1,542,641	1,885,572	22.2%
Newaygo	38,175	47,059	23.3%	825,309	1,016,100	23.1%
Ottawa	187,697	232,142	23.7%	4,035,174	4,988,555	23.6%
Livingston	115,232	152,917	32.7%	2,363,689	3,157,122	33.6%

As indicated on Table 3, five of the largest counties are expected to have population declines. Marquette County is expected to experience a 17.4% reduction in population in 2000 as compared with 1990. Sixteen of the largest counties are expected to post population gains of over 10%. Livingston County is expected to have a population gain of over 32%. Over 85% of the revenue sharing payments to the counties is based purely on population. Therefore, it is reasonable to expect that the change in revenue sharing payments will closely follow the change in population. Given the FY 2000-01 estimated revenue sharing growth rate of 7.0%, which is higher than the Statewide projected population growth of 6.3%, most of the largest counties are estimated to have a slightly larger increase in revenue sharing payments between FY 1999-2000 and FY 2000-01, than their expected population growth between 1990 and 2000.

Because of the numerous complexities associated with the revenue sharing formulas for cities, villages, and townships, the link between population changes and their impact on revenue sharing payments is not so clear cut, as indicated in Table 4. Two factors that contribute to this situation are the 8% cap calculation and the phase-in of the three new underlying formulas. However, the same two factors served to smooth the transition from the old revenue sharing formulas to the new revenue sharing formulas and to prevent large increases and decreases in revenue sharing payments in FY 1998-99 and in FY 1999-2000. The 8% cap calculation does not apply to cities, villages, and townships that have population increases of at least 10% between 1990 and 2000. Since over half of the cities, villages, and townships fall into this category, large increases in FY 2000-01 revenue sharing payments are estimated for many of these local units. Although the formulas prior to the application of the 8% cap play a role in determining the revenue sharing payments, in FY 2000-01 results of the application of the 8% cap to only half of the cities, villages, and townships will be focused on.

The dark line on Table 4 divides the cities, villages, and townships by the percentage change in population—the local units above the line are subject to the 8% cap calculation and the local units below the line are not subject to the 8% cap calculation. The FY 2000-01 increase in revenue sharing payments for the local units below the dark line ranges from 14% to 109%. The FY 2000-01 increase in revenue sharing payments for the local units above the dark line is limited to the 8% increase. Given the projected population figures and the estimated revenue sharing payments, the Cities of Lincoln Park, Westland, Taylor, Wyoming, and Rochester Hills will be held at or reduced to the 8% limit. On the other hand, the Cities of St. Clair Shores, Pontiac, Warren, Royal Oak, Southfield, and Ann Arbor are adjusted upward with the 8% cap calculation to the floor or minimum level of a decline of 0.4%. The floor percentage change is determined by the amount of money above the 8% cap that is redistributed. The revenue sharing payments for the remaining local units above the line on Table 4 are not adjusted under the 8% cap calculation. No adjustment occurs for these locals because their pre-cap revenue sharing payments are not above the 8% limit and not below the floor level of a 0.4% decline.

Table 4

POPULATION PROJECTIONS FOR 1990 & 2000 AND REVENUE SHARING PAYMENT ESTIMATES FOR FY 1999-2000 & FY 2000-01 FOR CITIES, VILLAGES, & TOWNSHIPS WITH AN ESTIMATED 2000 REVENUE SHARING POPULATION ABOVE 35,000 SORTED BY POPULATION PERCENT CHANGE								
Type	County	Local Unit	Revenue Sharing Projected Population		Percent Change	Revenue Sharing Estimated Payments		Percent Change
			1990	2000 Est.		FY 1999-2000	FY 2000-2001	
2	Saginaw	Saginaw	69,331	62,064	-10.5%	\$13,237,169	\$13,533,144	2.2%
2	Ingham	East Lansing	51,065	45,835	-10.2%	6,502,385	6,931,861	6.6%
2	Genesee	Flint	140,690	128,865	-8.4%	23,817,145	24,709,579	3.7%
2	Wayne	Detroit	1,027,029	945,779	-7.9%	333,900,000	333,900,000	0.0%
2	Kalamazoo	Kalamazoo	79,889	74,561	-6.7%	12,557,592	12,618,016	0.5%
2	Macomb	St. Clair Shores	68,107	64,721	-5.0%	7,338,197	7,307,377	-0.4%
2	Oakland	Pontiac	70,177	67,419	-3.9%	17,460,019	17,386,687	-0.4%
2	Macomb	Warren	144,864	139,739	-3.5%	19,356,696	19,275,398	-0.4%
2	Kent	Grand Rapids	188,627	182,537	-3.2%	24,990,793	26,356,361	5.5%
2	Muskegon	Muskegon	38,492	37,328	-3.0%	5,240,127	5,640,058	7.6%
2	Oakland	Royal Oak	65,410	63,468	-3.0%	7,480,290	7,448,873	-0.4%
2	Wayne	Dearborn Hgts	60,838	59,515	-2.2%	7,080,723	7,453,930	5.3%
2	Oakland	Southfield	75,703	74,390	-1.7%	9,392,178	9,352,731	-0.4%
2	Macomb	Roseville	51,412	50,541	-1.7%	6,367,300	6,541,391	2.7%
1	Oakland	Bloomfield	42,473	42,296	-0.4%	3,923,952	3,975,863	1.3%
2	Washtenaw	Ann Arbor	109,472	109,583	0.1%	13,887,211	13,828,885	-0.4%
2	Ingham/ Eaton	Lansing	122,700	122,966	0.2%	20,487,111	21,943,978	7.1%
2	Wayne	Livonia	100,850	101,089	0.2%	11,212,225	11,322,780	1.0%
2	Wayne	Lincoln Park	41,832	41,935	0.2%	6,152,006	6,644,166	8.0%
2	Calhoun	Battle Creek	53,516	53,951	0.8%	7,969,006	8,113,979	1.8%
1	Wayne	Redford	54,387	54,989	1.1%	7,285,851	7,623,766	4.6%
2	Wayne	Westland	84,583	85,755	1.4%	9,783,706	10,566,402	8.0%
2	Wayne	Taylor	70,811	71,932	1.6%	10,189,815	11,005,000	8.0%
1	Washtenaw	Ypsilanti	45,307	46,201	2.0%	4,954,234	5,234,770	5.7%
1	Saginaw	Saginaw	37,684	39,050	3.6%	3,283,485	3,512,835	7.0%
2	Wayne	Dearborn	89,286	92,696	3.8%	11,934,535	11,965,237	0.3%
2	Midland/Bay	Midland	37,782	39,757	5.2%	4,082,226	4,214,706	3.2%
2	Macomb	Sterling Heights	117,810	124,587	5.8%	12,739,632	13,501,389	6.0%
2	Oakland	Farmington Hills	74,614	80,027	7.3%	7,616,416	8,197,457	7.6%
1	Ingham	Meridian	35,256	37,836	7.3%	3,291,663	3,549,223	7.8%
2	Kalamazoo	Portage	41,042	44,092	7.4%	4,570,538	4,805,567	5.1%
2	Oakland	Troy	72,884	79,559	9.2%	7,625,643	8,121,558	6.5%
2	Kent	Wyoming	63,891	69,870	9.4%	7,197,064	7,772,829	8.0%
2	Oakland	Rochester Hills	61,766	67,902	9.9%	5,882,590	6,353,197	8.0%
2	Kent	Kentwood	37,826	42,785	13.1%	3,425,096	3,913,416	14.3%
1	Oakland	West Bloomfield	54,516	62,275	14.2%	5,006,984	5,703,192	13.9%
1	Macomb	Clinton	85,866	98,452	14.7%	8,365,531	10,004,424	19.6%
1	Oakland	Waterford	66,692	76,648	14.9%	6,787,789	7,705,539	13.5%
1	Ottawa	Georgetown	32,672	42,283	29.4%	2,497,891	3,493,734	39.9%
1	Macomb	Chesterfield	25,905	35,298	36.3%	2,308,397	3,081,399	33.5%
1	Macomb	Shelby	48,655	67,029	37.8%	4,790,905	6,296,118	31.4%
1	Wayne	Canton	57,040	79,602	39.6%	5,663,422	7,525,755	32.9%
2	Oakland	Novi	32,998	46,489	40.9%	3,372,488	4,411,087	30.8%
1	Macomb	Macomb	22,714	47,811	110.5%	1,857,120	3,885,464	109.2%

Type: 1 = Township, 2 = City

Revenue Sharing Payment Summary by Local Unit Type in FY 2001-02 & Beyond

Beyond the major changes in revenue sharing payments that are expected to occur in FY 2000-01, due to the Federal decennial census and the revenue sharing formulas, it is instructive to determine the expected path of revenue sharing payments in the future. Over time, as the revenue sharing formulas are phased-in, the growth rates of the local entities converge. However, two revenue sharing scenarios are briefly discussed below. The first scenario is a return to a trend growth level of sales tax revenue, and the second scenario is a decline in sales tax revenue. Under each of these scenarios it is assumed that the portion of sales tax earmarked for revenue sharing will be fully appropriated.

FY 2001-02 Revenue Sharing Payments with an Assumed 4.5% Growth. The annual average sales tax growth from FY 1985-86 through FY 1998-99 has been 4.5%. To determine the impact on the local entities, FY 2001-02 revenue sharing payments are calculated based on a 4.5% increase in sales tax revenue. Under this scenario, the range of revenue sharing payment growth for counties would extend from 4.0% to 5.1%. Almost 70 of the 83 counties would post increases above the 4.5% rate. Approximately 75% of the cities, villages, and townships would post revenue sharing gains greater than 4.5%, and the remaining sub-county local units would post gains of 4.5% or less. Almost 1,100 or 60% the cities, villages, and townships would have gains greater than 6.0%, while almost 330 of these would be above 8.0%. Under this scenario, no local unit would have a revenue sharing decline as compared with the previous fiscal year.

FY 2002-03 Revenue Sharing Payments with an Assumed -1.5% Growth. During the recession in the early 1980s sales tax revenue fell 1.5%. Assuming sales tax revenue declines by 1.5% in FY 2002-03, the range of revenue sharing payment growth for counties would extend from a negative 1.7% to a negative 1.3%. Almost 70, or 82%, of the counties would post decreases at or below the negative 1.5% rate. Approximately 790 or 44%, of the cities, villages, and townships would post no revenue sharing growth or a decline, while close to 480 of these would post decreases of 1.5% or a larger decline. Almost 300 of the cities, villages, and townships would have gains greater than 2.0%, while almost 140 of these would be above 6.0%. In addition, revenue sharing payments for the City of Detroit would fall by the same percentage as the sales tax reduction or by 1.5%.

CONCLUSION

This report provides a description of the revenue sharing formulas and a review of the projected Federal 2000 census figures. In addition, this report provides an overview of the effects of the projected population, the distribution formula, and the appropriation level on the revenue sharing payments. In FY 2000-01, the year in which the 2000 census figures will be put in place for revenue sharing payments, many local units will experience significant changes in their payment level. However, beyond FY 2000-01 the phase-in of the revenue sharing formulas will continue to cause the growth rates of the revenue sharing payments of the local entities to converge. In addition, the revenue sharing dollars, due in part to the population shift, will move away from cities, specifically from the City of Detroit, and to townships.