State Notes

TOPICS OF LEGISLATIVE INTEREST

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A Preliminary Look at the Impact of the 2010 Census on Revenue Sharing
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In April 2010, the Federal government began the decennial census required by Article I, Section 2 of the Constitution of the United States. The population figures from the 2010 Census will be used to determine a number of high-profile matters, ranging from the number of seats each state will have in the U.S. House of Representatives, to how much Federal funding will be distributed, to the boundaries of state legislative districts. On a lower level, numerous Michigan statutes refer to population and, unless otherwise provided, MCL 8.3v indicates that those references will apply the population totals from the most recent preceding decennial census. This article discusses the impact of the 2010 Census on money the State distributes to local units of government through revenue sharing payments.

Background

Population forms the basis for many revenue sharing payment distributions. Article IX, Section 10 of the Michigan Constitution states, "Fifteen percent of all taxes imposed on retailers on taxable sales at retail of tangible personal property at a rate of not more than 4% shall be used exclusively for assistance to townships, cities and villages, on a population basis as provided by law." Before, and after, the adoption of this constitutional provision, the State has elected also to provide assistance to local units of governments through statutory provisions. While some statutory provisions have not been affected by population figures, many have been -- particularly when the statutory distribution formulas were changed in 1998.

State revenue dropped substantially during the 2001 recession as a result of both the slower economy and a variety of tax reductions. While sales tax collections generally continued to increase each year, the loss of revenue ultimately affected revenue sharing payments. Initially, revenue declines were offset by minor spending reductions and the use of one-time money, such as transfers from the Budget Stabilization Fund. However, as the Michigan economy remained in recession, more substantial budgetary changes were necessary. Revised revenue estimates in November 2002 forecast a General Fund deficit, prompting a mid-year Executive Order (E.O.) reduction that also reduced FY 2002-03 revenue sharing payments. However, E.O. 2002-22 (and accompanying statutory amendments) did more than reduce statutory revenue sharing payments, it also altered the distribution of payments by effectively suspending a portion of the distribution formula adopted in 1998.

Before E.O. 2002-22 was issued, statutory payments to local units were distributed on the basis of a variety of factors that could change from year to year, even though many of those factors were affected by population (which, at the time, was fixed at the totals from the 2000 Census). Reductions in the appropriation for revenue sharing payments slowed the rate at which the 1998 formula was phased in and affected different local units differently. For example, as long as sales tax revenue increased during the year, the distribution formula froze the combined constitutional and statutory payment to the City of Detroit at $333.9 million, regardless of the appropriation. Under the original FY 2001-02 appropriation, some local units were slated to receive increases as large as 9.1%, compared with their FY 2000-01 payment, while other local units were forecast to experience declines as large as 7.7%.

The impact of an Executive Order for that fiscal year did not alter the City of Detroit's payments, while payments to Lee Township in Allegan County dropped from a 5.6% increase over FY 2000-01 to a 0.4% decline (a 6.0 percentage point change) and payments to Elk Rapids Township in Antrim County fell from a 1.5% increase to a 0.9% increase (a drop of only 0.6 percentage point).

Executive Order 2002-02 shifted the focus from phasing in the 1998 distribution formula to comparing the change in total (constitutional and statutory) revenue sharing payments from the prior year. The language in E.O. 2002-02 (and accompanying legislation) endeavored to ensure that each local unit, including the City of Detroit, experienced the same percentage reduction in total payments from the reduced appropriation. In every fiscal year since E.O. 2002-02 was issued, revenue sharing distributions have been specified to require that each local unit receive the same percentage change, compared with the prior year, in total payments.

Repeated application of this "uniformity" requirement, in conjunction with basing the changes on the combined total of constitutional and statutory payments, eventually resulted in the elimination of statutory payments to many local units. The uniformity changes particularly affected units where the statutory payment to a local unit was small relative to the constitutional payment. The dynamic is relatively easy to illustrate: Assume a unit received a $5,000 statutory payment and a $95,000 constitutional payment in year one, and that sales taxes grow 2.0% in year two, so that the constitutional payment increases to $96,900. Now assume that the appropriation and distribution formula for year two specifies that each local unit will receive only 96.0% of the year one payment. In this case, the "4% reduction" eliminates the statutory payment. If the unit is to receive 96.0% of the prior year's combined payment, the unit will receive $96,000 -- $900 less than its constitutional payment. In such circumstances, the local unit will receive the constitutionally required payment, but no statutory payment. After eight years of these "uniform" reductions and given the current appropriation for FY 2009-10, approximately 1,207 local units (out of approximately 1,774) are not expected to receive a statutory payment.

2008 Inter-Census Estimates and the 2010 Census

Based on the current estimates of Michigan's population since the 2000 Census, Michigan gained population through 2005 but has been steadily losing population since then. The current estimate for Michigan's 2009 population at 9,969,727 is only 0.3% above the 2000 Census figure of 9,938,444. In comparison, the U.S. population is estimated to have grown 9.1% over the 2000-2009 period. Virtually all of the decline in Michigan's population has occurred during the current U.S. recession -- which has witnessed a dramatic collapse in manufacturing employment, record-setting declines in housing, employment and retail sales, and the bankruptcy of General Motors and Chrysler.

As of the writing of this article, inter-census estimates of local unit populations by the U.S. Bureau of the Census are available through 2008. While Michigan's total population for 2008 is only 0.7% more than it was in 2000, the population change for some local units is quite substantial and extreme variation exists between local units. Approximately 13 local units exhibited population increases estimated at 50.0% or more between 2000 and 2008, while approximately 79 local units exhibited population declines exceeding 10.0%.

In order to estimate 2010 revenue sharing populations for individual local units, the 2008 estimate for each local unit was adjusted by the unit's average annual growth rate between 2006 and 2008. On a statewide basis, as the national economy slid into recession during late 2007, Michigan's population exhibited a substantially different trend than it had shown earlier in the decade. Michigan's population is estimated to have grown in every year between 2000 and 2005. During 2006, Michigan's population essentially remained flat -- declining a negligible 0.09%. However, statewide population figures fell 0.34% in 2007 and an additional 0.46% in 2008. As a result, given the Michigan economy during 2009 and early 2010, the 2008 estimates are assumed to change by the average rate of change over the 2006-2008 period, compounded for two years, in producing estimates of 2010 revenue sharing populations.

Under the Senate Fiscal Agency projections for 2010 local unit populations, some local units exhibit very drastic swings relative to the 2000 populations: 17 local units exhibit population increases of more than 50.0%, and 70 units exhibit increases of more than 25.0%, while 138 local units exhibit population declines of more than 10.0%. Michigan, as a whole, is estimated to have lost 0.1% of population over the decade, with the population in cities declining 5.0%, township populations increasing 5.6%, and village populations falling 0.9%.

The Effect of the 2010 Census on Revenue Sharing Payments

Because the total population of the State is approximately the same as it was a decade ago, the implementation of the 2010 Census population figures is not likely to result in a meaningful change in the per-person revenue sharing payment under the constitutional provisions. As a result, local units with a population increase of 50.0% or more will likely experience a 50.0%-plus increase in their constitutional revenue sharing payments, while units with declines of 10.0% or more will experience declines of 10.0% or more in their constitutional payments.

In aggregate, based on the May 2010 consensus revenue estimates, these changes mean that constitutional revenue sharing payments to cities will decline by approximately $15.6 million relative to current estimates, with the City of Detroit accounting for $2.9 million of that loss. Constitutional revenue sharing payments to villages are expected to decline by $0.3 million, while constitutional payments to townships should rise by $15.9 million. Counties do not receive constitutional revenue sharing payments.

The impact of the 2010 Census on statutory revenue sharing payments (and thus total revenue sharing to local units of government) largely depends on the distribution formula that is enacted for FY 2010-11. For cities, villages and townships (CVTs), the Governor's budget recommendation would freeze the combined total of statutory and constitutional payments to each local unit at a level equal to that unit's combined total during FY 2009-10. The House-passed appropriation would grant each city, village, and township a 1.0% increase in total payments, while the Senate-passed version would cut each by 5.0%. The effect of the 2010 Census on each of these proposals is discussed separately below.

The Governor's FY 2010-11 Recommendation

As indicated earlier, under current estimates, approximately 1,207 CVTs are not expected to receive any statutory payment during FY 2009-10. Under the Governor's FY 2010-11 recommendation, these CVTs (mostly townships) would experience an increase in their payments of 1.3% given current populations and revenue estimates, but under the 2010 population estimates, the average increase would be 8.5%. However, not all of these units would experience an increase in their constitutional payment. While one of these units, Fife Lake Township in Grand Traverse County, would realize a 123.7% increase, Webber Township in Gratiot County would see a 25.8% decrease in its constitutional revenue sharing payment. If all local units are examined (not just those expected to receive no statutory payment during FY 2009-10), the spread between the largest and smallest growth in constitutional payments remains unchanged, mirroring the population changes described above.

The Governor's budget recommendation specifies that each local unit should receive the same combined constitutional and statutory revenue sharing payment during FY 2010-11 as the unit received during FY 2009-10. For CVTs still receiving a statutory payment and experiencing a population increase, this means that their statutory payment would be reduced for every dollar that their constitutional payment increases as a result of the new census counts (assuming statutory payments would be sufficient to offset the constitutional increases). For units losing population, whether they currently receive a statutory payment or not, the recommendation would hold them harmless for any reductions reflecting the new census figures.

Because some local units do not receive statutory payments currently, the Governor's budget recommendation would create an asymmetry in the budget. A portion of CVTs will, pursuant to the State Constitution, receive larger constitutional revenue sharing payments but there would be no statutory payments to offset the increase. However, the language regarding statutory revenue sharing payments would attempt to hold any local unit that loses population harmless for the decline. As a result, if the Governor's recommendation were enacted and the current revenue estimates are accurate, the appropriation would be approximately $20.6 million less than needed to make the specified payments. Holding CVTs harmless for population declines would result in statutory payments to an additional 417 local units that do not currently receive statutory payments.

While the Governor's recommendation would ensure that no local unit would receive less in revenue sharing funds during FY 2010-11 than in FY 2009-10, assuming the additional $20.6 million was appropriated, considerable variation would exist between local units in their year-to-year changes. Approximately 1,087 local units would experience no change in their total revenue sharing payments between FY 2009-10 and FY 2010-11, while 71 local units would experience increases of 25.0% or more (and one would see an increase of 123.7%). A summary of the impact of the 2010 Census on the Governor's recommendation is presented in <u>Table 1</u>.

Table 1

Effect of 2010 Census on FY 2010-11 Revenue Sharing Payments
Appropriation as Recommended by the Governor
(Dollars in Millions)

		FY 2010-11 Governor's Recommendation						
			Change from FY 2009-10			Change from FY 2009-10		
	Current FY 2009-10 Estimate	Current Estimate	Dollar	Percent	Projected Revision	Dollar	Percent	Difference Due to Census
Sales Tax Constitutional:								
Counties	$0.0	$0.0	$0.0	---	$0.0	$0.0	---	$0.0
Cities, Villages, & Townships								
Cities	325.2	329.4	4.2	1.3%	313.1	(12.2)	(3.7)%	(16.3)
Detroit	59.9	60.7	0.8	1.3	57.8	(2.1)	(3.5)	(2.9)
Townships	282.9	286.5	3.6	1.3	303.0	20.1	7.1	16.5
Villages	17.4	17.6	0.2	1.3	17.5	0.1	0.5	(0.1)
Subtotal CVTs	625.5	633.5	8.0	1.3	633.5	8.0	1.3	(0.0)
Subtotal Constitutional	**$625.5**	**$633.5**	**$8.0**	**1.3%**	**$633.5**	**$8.0**	**1.3%**	**($0.0)**
Sales Tax Statutory:								
Counties	$55.3	$114.7	$59.4	107.5%	$114.7	$59.4	107.5%	$0.0
Cities, Villages, & Townships								
Cities	300.2	296.0	(4.1)	(1.4)	313.4	13.3	4.4	17.4
Detroit	179.3	178.5	(0.8)	(0.4)	181.4	2.1	1.2	2.9
Townships	7.1	6.4	(0.7)	(9.4)	9.1	2.0	28.7	2.7
Villages	4.8	4.6	(0.2)	(4.2)	5.1	0.3	6.1	0.5
Subtotal CVTs	312.1	307.1	(5.0)	(1.6)	327.6	15.6	5.0	20.6
Subtotal Statutory	**$367.3**	**$421.8**	**$54.5**	**14.8%**	**$442.4**	**$75.0**	**20.4%**	**$20.6**
Total Restricted Revenue Sharing	**$992.8**	**$1,055.3**	**$62.5**	**6.3%**	**$1,075.9**	**$83.1**	**8.4%**	**$20.6**
Counties	55.3	114.7	59.4	107.5	114.7	59.4	107.5	0.0
Cities, Villages, & Townships								
Cities	625.4	625.4	0.0	0.0	626.5	1.1	0.2	1.1
Detroit	239.2	239.2	(0.0)	(0.0)	239.2	(0.0)	(0.0)	(0.0)
Townships	289.9	292.9	3.0	1.0	312.0	22.1	7.6	19.1
Villages	22.2	22.2	0.0	0.1	22.6	0.4	1.7	0.4
Subtotal CVTs	937.5	940.5	3.0	0.3	961.1	23.6	2.5	20.6
Special Census Payments (Gen'l Fund)	**$0.0**	**$0.0**	**$0.0**	**---**	**$0.0**	**0.0**	**---**	**$0.0**
Total Revenue Sharing	**$992.8**	**$1,055.3**	**$62.5**	**6.3%**	**$1,075.9**	**$83.1**	**8.4%**	**$20.6**

Notes: Estimates for FY 2009-10 and FY 2010-11 are based on consensus sales tax estimates adopted at the May 2010 Consensus Revenue Estimating Conference.
County payments reflect payments made to hold counties harmless for the depletion of revenue sharing reserve funds created as part of the FY 2004-05 budget.

House-Passed FY 2010-11 Appropriation

Because the distribution of constitutional revenue sharing payments is controlled by the State Constitution, constitutional payments under the House-passed appropriation are identical to those under the Governor's recommendation. The same is true for the distribution of those payments after the 2010 Census counts are implemented.

The House-passed appropriation specifies that each local unit should receive, in combined constitutional and statutory revenue sharing payments, a 1.0% increase above combined constitutional and statutory revenue sharing payments received during FY 2009-10. As with the Governor's recommendation, for CVTs still receiving a statutory payment and experiencing a population increase, this means that their statutory payment would be reduced for every dollar that their constitutional payment increases as a result of the new census counts (assuming statutory payments would be sufficient to offset the constitutional increases). For units losing population, whether they currently receive a statutory payment or not, the recommendation would hold them harmless for any reductions reflecting the new census figures.

As a result, the same sort of asymmetry in payments as described under the Governor's recommendation would occur, and if the House-passed appropriation were enacted and the current revenue estimates are accurate, the appropriation would be approximately $21.2 million less than needed to make the specified payments. Holding CVTs harmless for population declines would result in statutory payments to an additional 526 local units that do not currently receive statutory payments.

While the House-passed appropriation would ensure that all local units would receive at least a 1.0% increase in revenue sharing funds between FY 2010-11 and FY 2009-10, assuming the additional $21.1 million was appropriated, considerable variation would exist between local units in their year-to-year changes. Approximately 1,161 local units would experience no change in their total revenue sharing payments between FY 2009-10 and FY 2010-11, while 71 local units would experience increases of 25% or more (and one would see an increase of 123.7%). A summary of the impact of the 2010 Census on the House-passed appropriation is presented in Table 2.

Table 2

Effect of 2010 Census on FY 2010-11 Revenue Sharing Payments
Appropriation as Passed by the House
(Dollars in Millions)

		FY 2010-11 House-Passed Recommendation						
			Change from FY 2009-10			Change from FY 2009-10		
	Current FY 2009-10 Estimate	Current Estimate	Dollar	Percent	Projected Revision	Dollar	Percent	Difference Due to Census
Sales Tax Constitutional:								
Counties	$0.0	$0.0	$0.0	---	$0.0	$0.0	---	$0.0
Cities, Villages, & Townships								
Cities	325.2	329.4	4.2	1.3%	313.1	(12.2)	(3.7)%	(16.3)
Detroit	59.9	60.7	0.8	1.3	57.8	(2.1)	(3.5)	(2.9)
Townships	282.9	286.5	3.6	1.3	303.0	20.1	7.1	16.5
Villages	17.4	17.6	0.2	1.3	17.5	0.1	0.5	(0.1)
Subtotal CVTs	625.5	633.5	8.0	1.3	633.5	8.0	1.3	(0.0)
Subtotal Constitutional	**$625.5**	**$633.5**	**$8.0**	**1.3%**	**$633.5**	**$8.0**	**1.3%**	**($0.0)**
Sales Tax Statutory:								
Counties	$55.3	$114.7	$59.4	107.5%	$114.7	$59.4	107.5%	$0.0
Cities, Villages, & Townships								
Cities	300.2	$302.3	$2.1	0.7	$319.6	$19.4	6.5	17.3
Detroit	179.3	180.9	1.6	0.9	183.8	4.5	2.5	2.9
Townships	7.1	7.0	(0.1)	(1.2)	10.2	3.2	45.2	3.3
Villages	4.8	4.8	0.0	0.1	5.3	0.5	10.3	0.5
Subtotal CVTs	312.1	314.1	2.0	0.6	335.1	23.1	7.4	21.1
Subtotal Statutory	**$367.3**	**$428.8**	**$61.5**	**16.7%**	**$449.9**	**$82.5**	**22.5%**	**$21.1**
Total Restricted Revenue Sharing	**$992.8**	**$1,062.3**	**$69.5**	**7.0%**	**$1,083.4**	**$90.6**	**9.1%**	**$21.1**
Counties	55.3	114.7	59.4	107.5	114.7	59.4	107.5	0.0
Cities, Villages, & Townships								
Cities	625.4	631.6	6.3	1.0	632.6	7.2	1.2	1.0
Detroit	239.2	241.6	2.4	1.0	241.6	2.4	1.0	0.0
Townships	289.9	293.5	3.5	1.2	313.2	23.3	8.0	19.7
Villages	22.2	22.4	0.2	1.0	22.8	0.6	2.6	0.4
Subtotal CVTs	937.5	947.5	10.0	1.1	968.6	31.1	3.3	21.1
Special Census Payments (Gen'l Fund)	**$0.0**	**$0.0**	**$0.0**	**---**	**$0.0**	**$0.0**	**---**	**$0.0**
Total Revenue Sharing	**$992.8**	**$1,062.3**	**$69.5**	**7.0%**	**$1,083.4**	**$90.6**	**9.1%**	**$21.1**

Notes: Estimates for FY 2009-10 and FY 2010-11 are based on consensus sales tax estimates adopted at the May 2010 Consensus Revenue Estimating Conference.
County payments reflect payments made to hold counties harmless for the depletion of revenue sharing reserve funds created as part of the FY 2004-05 budget.

Senate-Passed FY 2010-11 Appropriation

As indicated earlier, the nature of constitutional revenue sharing payments means that constitutional payments will be the same under the Senate-passed appropriation as under the House-passed appropriation and the Governor's recommendation. Implementation of the 2010 Census counts will change the payments from what is currently estimated with the 2000 Census counts, but not from what they would be under a different appropriation.

The Senate-passed appropriation specifies that each local unit should receive, in combined constitutional and statutory revenue sharing payments, a 5.0% decrease from combined constitutional and statutory revenue sharing payments received during FY 2009-10. As with the Governor's recommendation and the House-passed appropriation, for CVTs still receiving a statutory payment and experiencing a population increase, this means that their statutory payment would be reduced for every dollar that their constitutional payment increases as a result of the new census counts (assuming statutory payments would be sufficient to offset the constitutional increases). For units losing population, whether they currently receive a statutory payment or not, the recommendation would hold them harmless for any reductions reflecting the new census figures.

As a result, the same sort of asymmetry in payments as described under the other two appropriation options would occur, and if the Senate-passed appropriation were enacted and the current revenue estimates are accurate, the appropriation would be approximately $19.2 million less than needed to make the specified payments. Holding CVTs harmless for population declines would result in statutory payments to an additional 109 local units that do not currently receive statutory payments.

While the Senate-passed appropriation would ensure that all local units' total revenue sharing payments would change by no more than -5.0% between FY 2010-11 and FY 2009-10, assuming the additional $19.2 million was appropriated, considerable variation would exist between local units in their year-to-year changes. Approximately 633 local units would experience no change in their total revenue sharing payments between FY 2009-10 and FY 2010-11, while 71 local units would experience increases of 25.0% or more (and the same unit mentioned above still would increase 123.7%). A summary of the impact of the 2010 Census on the Senate-passed appropriation is presented in Table 3.

Table 3

Effect of 2010 Census on FY 2010-11 Revenue Sharing Payments
Appropriation as Passed by the Senate
(Dollars in Millions)

		FY 2010-11 Senate-Passed Recommendation						
			Change from FY 2009-10			Change from FY 2009-10		
	Current FY 2009-10 Estimate	Current Estimate	Dollar	Percent	Projected Revision	Dollar	Percent	Difference Due to Census
Sales Tax Constitutional:								
Counties	$0.0	$0.0	$0.0	---	$0.0	$0.0	---	$0.0
Cities, Villages, & Townships								
Cities	325.2	329.4	4.2	1.3%	313.1	(12.2)	(3.7)%	(16.3)
Detroit	59.9	60.7	0.8	1.3	57.8	(2.1)	(3.5)	(2.9)
Townships	282.9	286.5	3.6	1.3	303.0	20.1	7.1	16.5
Villages	17.4	17.6	0.2	1.3	17.5	0.1	0.5	(0.1)
Subtotal CVTs	625.5	633.5	8.0	1.3	633.5	8.0	1.3	(0.0)
Subtotal Constitutional	**$625.5**	**$633.5**	**$8.0**	**1.3%**	**$633.5**	**$8.0**	**1.3%**	**($0.0)**
Sales Tax Statutory:								
Counties	$55.3	$109.0	$53.7	97.1%	$109.0	$53.7	97.1%	$0.0
Cities, Villages, & Townships								
Cities	300.2	265.3	(34.8)	(11.6)	283.1	(17.1)	(5.7)	17.7
Detroit	179.3	166.5	(12.7)	(7.1)	169.4	(9.9)	(5.5)	2.9
Townships	7.1	4.3	(2.8)	(39.2)	5.3	(1.8)	(25.5)	1.0
Villages	4.8	3.6	(1.2)	(24.7)	4.1	(0.7)	(14.3)	0.5
Subtotal CVTs	312.1	273.3	(38.8)	(12.4)	292.5	(19.6)	(6.3)	19.2
Subtotal Statutory	**$367.3**	**$382.3**	**$14.9**	**4.1%**	**$401.5**	**$34.1**	**9.3%**	**$19.2**
Total Restricted Revenue Sharing	**$992.8**	**$1,015.8**	**$23.0**	**2.3%**	**$1,034.9**	**$42.1**	**4.2%**	**$19.2**
Counties	55.3	109.0	53.7	97.1	109.0	53.7	97.1	0.0
Cities, Villages, & Townships								
Cities	625.4	594.7	(30.6)	(4.9)	596.1	(29.3)	(4.7)	1.4
Detroit	239.2	227.2	(12.0)	(5.0)	227.2	(12.0)	(5.0)	(0.0)
Townships	289.9	290.8	0.9	0.3	308.2	18.3	6.3	17.4
Villages	22.2	21.2	(1.0)	(4.4)	21.6	(0.6)	(2.7)	0.4
Subtotal CVTs	937.5	906.8	(30.8)	(3.3)	925.9	(11.6)	(1.2)	19.2
Special Census Payments (Gen'l Fund)	**$0.0**	**$0.0**	**$0.0**	**---**	**$0.0**	**$0.0**	**----**	**$0.0**
Total Revenue Sharing	**$992.8**	**$1,015.8**	**$23.0**	**2.3%**	**$1,034.9**	**$42.1**	**4.2%**	**$19.2**

Notes: Estimates for FY 2009-10 and FY 2010-11 are based on consensus sales tax estimates adopted at the May 2010 Consensus Revenue Estimating Conference.
County payments reflects payments made to hold counties harmless for the depletion of revenue sharing reserve funds created as part of the FY 2004-05 budget.

Equity Issues and Conclusion

For much of the last decade, the distribution of revenue sharing payments has been based on the total of constitutional and statutory revenue sharing payments received by each local unit during the prior year. The rationale behind this approach was that, because generally revenue sharing payments were being limited to address budget problems, all local units would be treated the same and thus share the burden of any reductions in equal proportion. This approach ran counter to the approach used in making annual revenue sharing distributions in previous decades, when variations in taxing authority, property values, retail sales, and appropriations could cause significant year-to-year changes (both positive and negative) in a unit's payments, despite constitutional payments' being based on a fixed population count for 10 years at a time.

However, as this "uniform" approach to handling reductions continued, it became impossible to treat all units the same. As long as the distribution formula limited growth in total payments to a rate less than the increase in sales tax revenue, which occurred in every year the uniform approach was used, the distribution formula would reduce or even eliminate statutory revenue sharing payments. As indicated above, more than 1,200 local units no longer receive statutory revenue sharing. Under current estimates for FY 2009-10, statutory payments to the 30 largest local units (those with the 30 largest statutory payments, not the largest populations) account for approximately 82.1% of total statutory revenue sharing. Units that no longer receive statutory payments generally have experienced increases in revenue sharing payments, as growth in retail sales has increased constitutional payments, while other local units have remained flat or experienced reduced payments.

All of the proposed distribution formulas for FY 2010-11 would attempt to retain this "uniform" approach to distributing revenue sharing payments although in reality very little uniformity will result when the 2010 Census counts are implemented. As discussed earlier, population changes from the 2010 Census will result in much larger swings in payments than experienced previously. Sales tax collections are expected to increase roughly 1.3%, but nearly six dozen local units will experience more than 25.0% growth in revenue sharing payments.

The uniformity provisions also will result in a number of inconsistencies in the payments received by local units. Some local units that experience population growth will see commensurate increases in their revenue sharing payments, while others will experience no change at all -- losing statutory payments on a dollar-for-dollar basis as constitutional payments increase. Other local units with population increases will fare between these two extremes. Similarly, for units losing population, some will be held harmless for those declines while others will experience declines commensurate with their population changes.

In summary, the 2010 Census will drastically change the distribution of revenue sharing payments across local units regardless of which of the current proposals is adopted. Furthermore, once the new counts are adopted, all of the current proposals will have an insufficient appropriation to fund payments as specified in law, as shown in Table 4. If supplemental appropriations are not made to sufficiently fund required payments, none of the proposals offer language to address any shortfall. Policy-makers will need to address not only these budget issues, but distributional issues as well, including the extent that payments should change to reflect population changes that have occurred over the last decade.

Table 4
2010 Census Impact on FY 2010-11 Revenue Sharing
Effect on Appropriation Proposals Compared
(Dollars in Millions)

	Governor's Recommendation	House-Passed	Senate-Passed
Current Estimates			
Constitutional	$633.5	$633.5	$633.5
Statutory	421.8	428.8	382.3
Total	**$1,055.3**	**$1,062.3**	**$1,015.8**
Projected Revision			
Constitutional	$633.5	$633.5	$633.5
Statutory	442.4	449.9	401.5
Total	**$1,075.9**	**$1,083.4**	**$1,034.9**
Change			
Constitutional	($0.0)	($0.0)	($0.0)
Statutory	20.6	21.1	19.2
Total	**$20.6**	**$21.1**	**$19.2**
Statutory Shortfall	**$20.6**	**$21.1**	**$19.2**