Revenue Sharing with Local Governments: Examination of Alternatives

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Background

For Florida counties and municipalities, the major sources of state-shared revenue that can be used for general government purposes are the Local Government Half-Cent Sales Tax Program, enacted in 1982, and the County and Municipal Revenue Sharing Trust Funds established by the Florida Revenue Sharing Act of 1972. The purpose of this report is to provide an historical overview of revenue sharing in the state and analyze the growth of these revenue-sharing programs since their inception. Alternative revenue sharing formulas will also be presented and their outcomes compared to the present law situation. This report will look at the most important sources of shared revenue that are not restricted to spending for specific purposes: sales tax, intangibles tax, and cigarette tax. Because it can be used only for transportation-related purposes, shared motor fuel tax is not included in the analysis.

History of Shared Tax Sources in Florida

Intangibles Tax

Prior to 1924, there was no constitutional distinction between intangible property and other property, and all was subject to ad valorem taxation. In 1924, Article IX, Section 1 of the Florida Constitution was amended to allow a special tax rate for intangible property, not to exceed 5 mills. This provision was enacted into law with the creation of Chapter 199, F.S., in 1931 (ch. 15789), with a tax rate of 2 mills on most types of intangible property. Money was taxed at one-tenth of a mill. Intangible property was assessed by the county Tax Assessor and the county Tax Collector was responsible for collecting the tax and remitting it to the Comptroller. It became part of the General Revenue funds of the State.

In 1941, ch. 20724 provided that all intangible tax revenue be placed in the Intangible Tax Fund. Money was appropriated annually out of the fund to pay for enforcement of the act and to pay Tax Assessor and Tax Collector fees. After these payments and any refunds of intangibles tax were made, money in the fund was distributed 75 percent to General Revenue and 25 percent to counties, based upon the county of collection. Intangibles tax rates were changed to 1 mill on stocks and bonds, 3 mills on Florida mortgages, and one-twentieth of a mill on money.

Ch. 29929 (1955) changed the disposition of net intangibles tax to pay for retirement of state and county officers and employees, with any balance going to General Revenue. (The tax rate on mortgages had been reduced to 2 mills in 1951.)

In 1971, Chapter 199, F.S., was repealed and reenacted by ch. 71-134, L.O.F. Under the new law the intangibles tax was assessed and collected by the Department of Revenue and the tax on obligations secured by mortgages was made non-recurring. Disposition of the tax, after DOR and county tax collection costs were deducted, was 55 percent to counties and 45 percent to General Revenue.

The Revenue Sharing Act of 1972 created a formula by which intangibles tax revenue was shared among counties, but did not change the proportion of the net revenue distributed to counties as a whole. The new formula by which funds were apportioned among counties was based on:

- each eligible county's percentage of state population;
- each eligible county's percentage of total population residing in unincorporated areas; and
- each eligible county's percentage of total sales tax collections during the preceding year.

A transition rule was included to ensure that no county received less shared revenue in 1972-72 than it had received in 1971-72 from several shared tax sources. In order to be eligible to participate in revenue sharing counties were required to report on their finances and meet certain standards for police officers' salaries.

Intangibles taxes collected during 1979, 1989, and 1981 were used to fund the Local Government Exemption Trust Fund. Ch 77-476, L.O.F., reduced the assessment of inventory for ad valorem tax purposes, and intangibles tax revenue was deposited in the Local Government Exemption Trust Fund to make up for this loss of local government revenue. This distribution came from the share which had previously gone to General Revenue and did not affect the Revenue Sharing Trust Fund. This distribution of intangibles tax to the Local Government Exemption Trust Fund ended July 1, 1982.

Chapter 90-132, L.O.F., increased the rate for the annual tax on intangibles from 1 mill to 1.5 mills. The distribution formula was adjusted to reduce the local share of the tax to 41.3 percent. All additional revenue resulting from the higher tax rate was distributed to General Revenue. Similarly, revenue generated by the rate increase enacted in Ch. 92-319, L.O.F., was entirely allocated to General Revenue, as the local share was reduced to 33.5 percent.

Chapter 98-132, L.O.F., made several changes to the intangibles tax and reduced expected revenue from the source. The counties' share was increased to 37.7 percent to hold the counties harmless from the revenue loss. The rate reduction from 2 mills to 1.5 mills for the annual intangibles tax which was enacted in the 1999 legislative session (Ch. 99-242, L.O.F.) did not include a hold-harmless provision for the counties, and their expected revenue from the source for 1999-

2000 was reduced by $99.9 million.

Cigarette Tax

Florida began taxing cigarettes in 1943. Ch. 21946 taxed standard-size cigarettes at 3 cents per pack, and other sizes at roughly proportionate rates. Other tobacco products were not taxed. Proceeds of the tax went to the General Revenue fund.

In 1949, ch. 26320 increased the tax rate to 5 cents per pack, and authorized cities to impose a tax on cigarettes sold or used within their territories. This tax could be "up to the same amount for the same size and the same package content" as the tax imposed by the state, and was collected by the Beverage Department of the State of Florida in the same manner as the state tax. To the extent that any municipal tax was imposed on cigarettes, a credit was allowed against the state tax, so the effective tax rate was uniform throughout the state. Revenue generated by the municipal cigarette tax could be used for a long list of purposes, which the legislation said were found to be, and were thereby designated as, state functions and purposes.[1]

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[1]Section 210.03 (5) 1949 Cumulative Supplement, Florida Statutes 1941, provided: (5) any funds received under and by virtue of this Act by municipalities shall be used and expended for the following purposes only, which said purposes are hereby found to be and are hereby designated as state functions and purposes within this state:

For the future cost, purchase, building, designing, engineering, planning, repairing, reconditioning, altering, expanding, maintaining, servicing and otherwise operating any of the following:

Streets, bridges, storm sewers, curbs, drains, gutters; water supplies, sanitary facilities and services for the preservation, protection, or improvement of the public health and safety, including hospitals, fire stations and firefighting equipment, sanitary sewers, sewerage disposal systems, sewerage disposal plants and facilities, garbage and refuse collection and disposal services, facilities and equipment, incinerators and other facilities, including street cleaning, inspections and services for the protection of public health including the enforcement of ordinances designed to maintain safe health standards with respect to foods, mosquito, insect and rodent eradication and control, and the removal and abatement of nuisances which may be or constitute dangers to public health and the exercise of controls for public safety, facilities for prevention of beach erosion, the enforcement of the laws of the State of Florida, and municipal ordinances with respect to public travel, health, and safety, and such other state functions which are performed by municipal governments within their

The cigarette tax rate was increased to 8 cents per pack in 1963, with municipalities allowed to pick up the entire rate increase. (Ch. 63-480, L.O.F.) Chapter 68-30, L.O.F., increased the tax rate available to municipalities to 11 cents per pack, and a 4 cent additional tax was imposed, which went entirely to General Revenue. Chapter 71-364, L.O.F., added another 2 cents tax per pack, with the proceeds used to fund municipal financial assistance grants.

In 1972, the cigarette tax statute was rewritten as part of the Revenue Sharing Act of 1972. The tax rate was not changed, but instead of having three separate tax levies imposed on cigarettes, a single 17 cent tax was imposed, and the proceeds of the tax were distributed among the municipal financial assistance trust fund (two-seventeenths), the revenue sharing trust fund for municipalities (eleven-seventeenths), and the revenue sharing trust fund for counties (one-seventeenth). The remainder went to the General Revenue fund.

Cigarette taxes have been increased three times since 1972. In 1977 the rate was raised to 21 cents (ch.77-408, L.O.F.); in 1985 it was raised to 37 cents (85-293, L.O.F.) but in 1986 it was reduced to 24 cents (ch. 86-122, L.O.F.); and in 1990 it was raised to its present level of 33.9 cents (ch. 90-132, L.O.F.). All additional revenue generated by these tax increases has been directed to General Revenue or state trust funds.

1972 Revenue Sharing Act

In 1968, the Florida Constitution was amended by the voters to restrict ad valorem taxes levied by local governments; counties, municipalities, and school districts were each limited to 10 mills for operating purposes, with limited options for imposing higher millage for debt service. One purpose of the 1972 Revenue Sharing Act was to help alleviate the fiscal hardship created by the constitutional millage cap[2]. It also tied revenue sharing to the performance of specific actions by local governments, so it increased the control exercised by the state over local government finances. There is no restriction on uses of revenue derived from cigarette and intangibles taxes but there are some statutory limitations on using the revenue as a pledge for indebtedness.

The revenues included in the 1972 Revenue Sharing Act had been shared with local governments prior to the passage of the act, based upon where the revenues

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boundaries, and are otherwise performed by the state and county governments outside of the limits of incorporated municipalities.

[2]Florida Advisory Council on Intergovernmental Relations, *Growth in the State Revenue Sharing Program*, January 1981, p.2.

had been collected. As discussed above, intangibles taxes had been shared or used for local purposes (retirement funding) since 1941, based upon the county where the tax was collected. Cigarette taxes had been shared with municipalities since 1949, when they were allowed to impose a tax equal to the state tax, and a credit was allowed for municipal taxes paid. Until 1968, municipalities were able to keep the entire state tax on cigarettes, which was 8 cents per pack at that time. By 1972, the tax on cigarettes had been increased to 17 cents, with 11 cents allocated to municipalities where the cigarettes were sold. Tax rates for intangibles and cigarettes were not increased by the 1972 act, but formulas were created by which they were distributed, with counties receiving cigarette tax revenue for the first time.

Sales Tax

Florida first enacted sales tax legislation in 1949. Sales tax revenue was used only for state purposes until 1982, when a rate increase was combined with a distribution of revenue to local government. Ch. 82-154, L.O.F., increased the tax rate from 4 to 5 percent, and required the proportion of sales tax revenues shared with municipalities and counties to be “one-half of net additional taxes remitted by a sales tax dealer located within a county.” Taxes on agricultural equipment, use tax on out-of-state purchases, and interest, penalties, and assessment of back taxes were not included in the distribution.

In 1987, the Florida Legislature enacted the sales tax on services in ch. 87-6, L.O.F. The same legislation funded the State Infrastructure Fund (SIF), which was created in ch. 87-247, L.O.F. This fund used sales tax revenue pay for specific infrastructure projects, and the local share of sales tax revenue was calculated after the distribution to SIF. This distribution had the effect of preventing local governments from receiving a proportionate share of the revenue increase from the tax on services. Ch. 87-548, L.O.F, repealed the sales tax on services enacted earlier in that year and increased the general sales tax rate from 5 percent to 6 percent. It maintained the SIF to be funded out of sales tax revenue before distribution to local governments. The statutory distribution to the Local Government Half-Cent Sales Tax Clearing Trust Fund was 9.888 percent of collections after distribution to SIF in 1988. SIF was repealed in 1991 but the local government distribution was based on what it would have been after the previous SIF distribution. The current law provides for 9.653 percent of collections to be deposited in the Local Government Half-cent Sales Tax Clearing Trust Fund, after what would have been the SIF distribution has been deposited in General Revenue and after the Solid Waste Management Trust Fund has received 0.2 percent of collections. An additional .054 percent of collections is distributed to the Local Government Half-cent Sales Tax Clearing Trust Fund for emergency distribution to qualified counties.

Revenue Sharing and the Constitution

Article VII, Sec. 18 (c), adopted by the voters in 1990, limits the ability of the legislature to reduce the percentage of a state tax shared with counties and municipalities. The full text reads:

> (c) Except upon approval of each house of the legislature by two-thirds of the membership, the legislature may not enact, amend, or repeal any general law if the anticipated effect of doing so would be to reduce the percentage of a state tax shared with counties and municipalities as an aggregate on February 1, 1989. The provisions of this subsection shall not apply to enhancements enacted after February 1, 1989, to state tax sources, or during a fiscal emergency declared in a written joint proclamation issued by the president of the senate and the speaker of the house of representatives, or where the legislature provides additional state-shared revenues which are anticipated to be sufficient to replace the anticipated aggregate loss of state-shared revenues resulting from the reduction of the percentage of the state tax shared with counties and municipalities, which source of replacement revenues shall be subject to the same requirements for repeal or modification as provided herein for a state-shared tax source existing on February 1, 1989.

In practice, this provision has done little to prevent the erosion of shared revenue for local governments. For municipalities, cigarette tax revenue has declined because consumption has declined and the tax is based upon physical units of cigarettes and not on their value. Counties will experience a loss of intangibles tax revenue because the legislature reduced the tax rate, but not the percentage shared with counties.

Legislative Intent with Regard to Revenue Sharing

In 1949, ch. 26230 allowed municipalities to impose a tax on cigarettes purchased within their borders, and provided a credit against the state cigarette tax equal to the city tax. This legislation specifically recognized that cities lacked sufficient revenue to "carry out and perform the various duties imposed upon them,..., which duties are primarily the obligations of the State of Florida" and provided that "the State of Florida should provide financial aid to assist in performing state functions which are and may be performed by said municipal governments(.)" The Revenue Sharing Act of 1972 was enacted in part to provide revenue for local governments in response to the ten-mill ad valorem tax cap imposed by the 1968 Constitution.[3] In fact, however, the Revenue Sharing Act redistributed revenue that was already being allocated to local governments, but changed the allocation method.

The half-cent sales tax distribution to local governments was enacted with two explicit goals. The first, simply stated, was to share state funds with cities and counties in order to provide general fiscal relief to the local tax system. It was understood that the shared funds were to be used to provide city-wide or county-wide programs or tax relief. The second goal was to alleviate the fiscal strain experienced by smaller, more rural counties, through the emergency tax distribution.[4]

Methodology

This report analyses three sources of shared revenue: cigarette tax, intangibles tax, and sales tax. Revenue from these sources can be used by local governments with few restrictions, and was intended by the Legislature to provide for local tax relief or fund city-wide or county-wide programs. The report considers how each source has performed, how the revenue-sharing experience of counties and municipalities have differed, and how much revenue is shared by the state as a proportion of its own General Revenue. The analysis is based upon data reported by the Florida Consensus Estimating Conference, the Legislative Committee on Intergovernmental Relations, and the Florida Department of Revenue.

Findings

How Counties and Municipalities have Fared with these Sources of Shared Revenue

Cigarette Taxes

In nominal dollars, shared cigarette tax revenue grew from FY 1972-73 through FY 1987-88, with a slight downturn from 1982 to 1984. After FY 1987-88,

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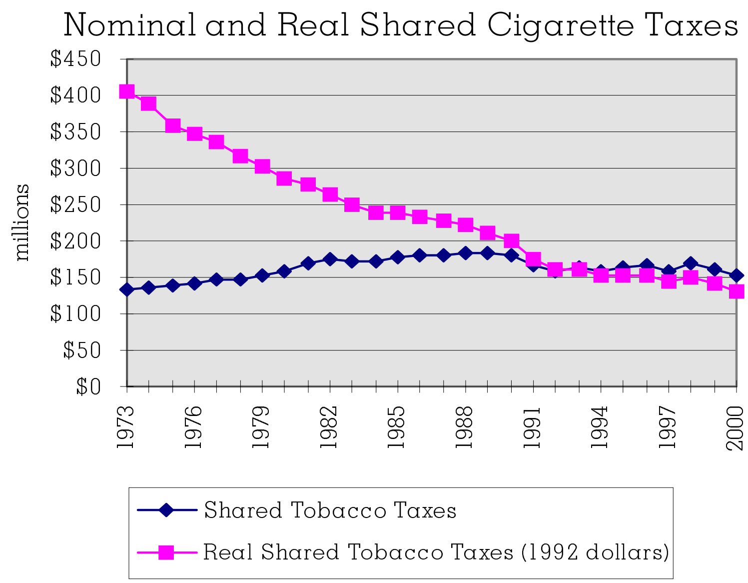
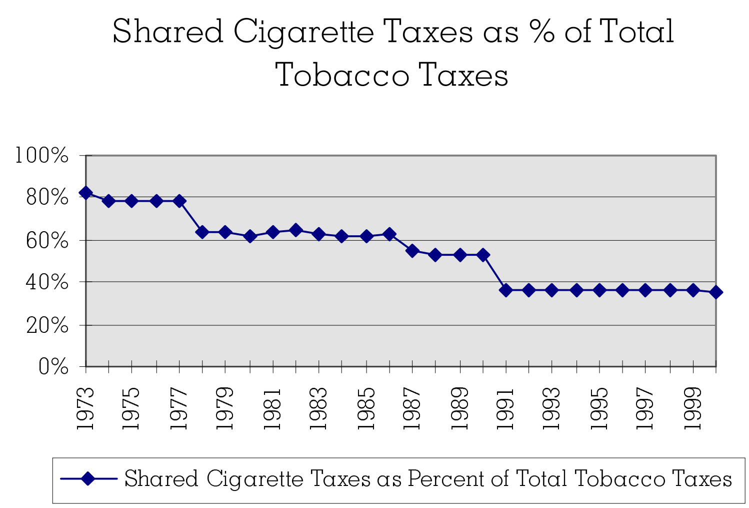
[3] *Ibid.*

[4] Florida Advisory Council on Intergovernmental Relations, *Two State Shared Revenue Programs: Municipal Revenue Sharing and the Half-Cent Sales Tax Emergency Distribution,* December 1987, p.80.

nominal shared revenue fell in six out of ten years, and it is forecast to fall in FY 1998-99 and 1999-2000. In real (1992) dollars, shared tobacco taxes have fallen from $405 million in FY 1972-73 to $130 million in FY 1999-2000, a loss of 68 percent. This decrease in nominal and real tax revenue has two causes: the tax is based upon physical units of consumption, and tobacco consumption has fallen. The physical tax base means that the tax is imposed upon packs of cigarettes, and does not rise with increases in their price. As the price of cigarettes has



risen, the tax shared with local governments has become a smaller and smaller part of the price. Decreased tobacco consumption has exacerbated this effect.



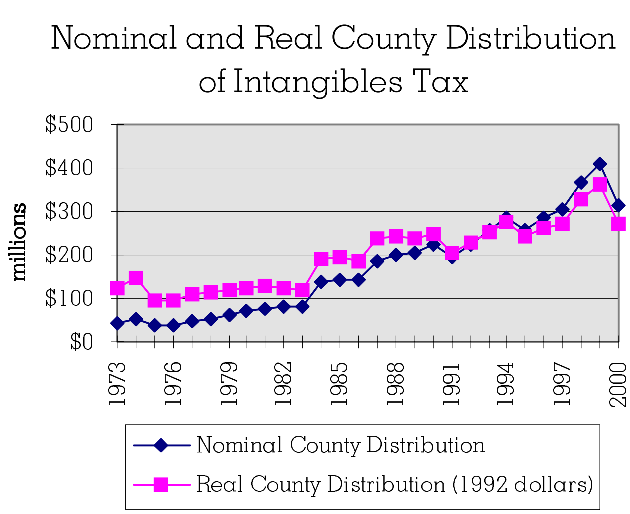
Because shared cigarette tax revenue goes mainly to the Municipal Revenue Sharing and Municipal Financial Assistance Trust Funds (32.4 percent and 5.8 percent, respectively), cities have been much more affected by declines in this source than counties have been, since counties receive only 2.9 percent of the revenue.

Shared revenue as a percent of total taxes on tobacco products has fallen from 82.5 percent in FY 1972-73 to 35.6 percent in FY 1999-2000.Total taxes imposed on tobacco products have been increased three times since the inception of revenue sharing, but each time the tax rate has been raised the distribution formula has been recalculated to direct additional revenue to recipients other than municipalities and counties. Trust fund revenue from tobacco taxes has increased by 151 percent in real dollars since FY 1972-73.

Intangibles Tax

This tax has provided a growing source of revenue for counties since the adoption of revenue sharing in 1972. In nominal dollars shared revenue has grown from $40.7 million to $313.6 million, the forecast distribution for FY 1999-2000. In real (1992) dollars it has more than doubled, from $124.8 million to $270.8 million. Because this tax is based upon the value of financial instruments as well as new Florida mortgages it varies with the business cycle; county revenue from this source fell in 1975, 1983, 1986, 1991, and 1995.

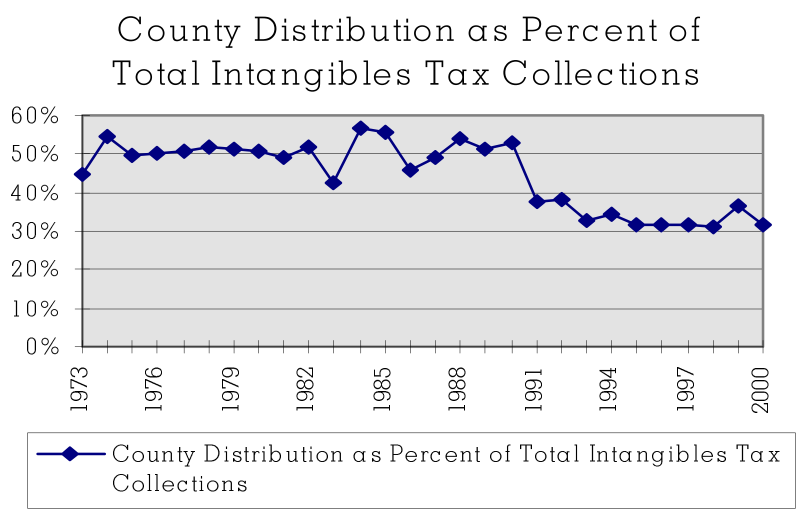
The annual tax rate on intangible personal property has been increased twice since the inception of revenue sharing. In 1990 it was increased from 1 mill to 1.5 mills, and in 1992 it was raised to 2 mills. With each tax increase the distribution formula was recalculated to direct the new revenue to the General Revenue Fund. Increases in county revenue from this source have been attributable to a growing tax base, plus any improvements in tax



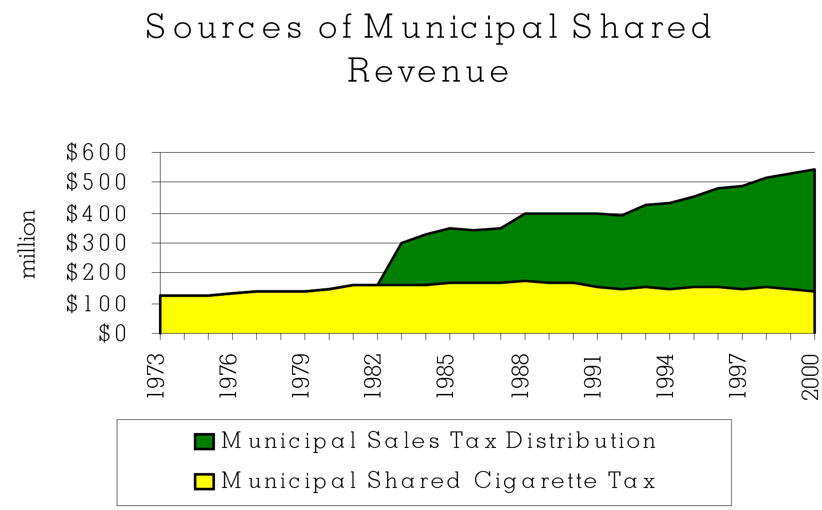
enforcement which were achieved during the period. The tax rate decrease enacted in 1999 was not accompanied by a recalculation of the formula to hold the counties harmless, and shared revenue is expected to fall in FY 1999-2000 because of this tax rate cut.

Sales Tax

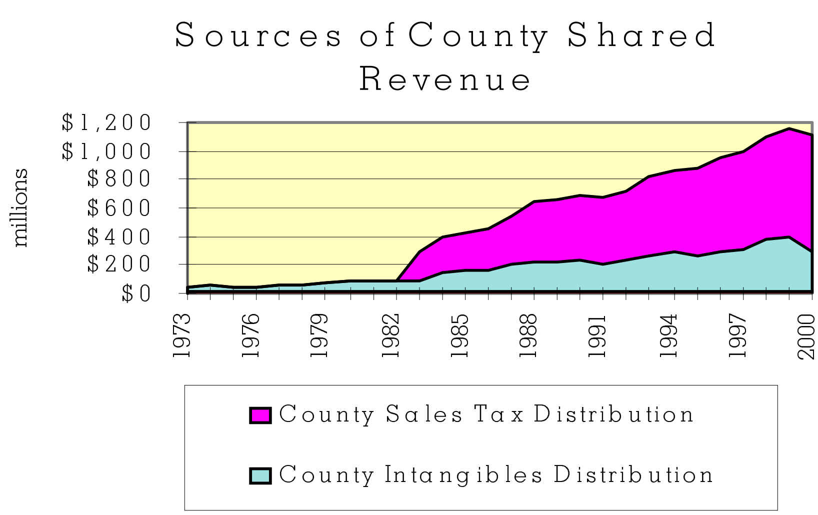
When the half-cent sales tax distribution to local governments was instituted in 1983, it contributed roughly one-half of the non-earmarked revenue shared with municipalities. Since that time its importance has risen steadily, and in FY 1999-2000 it is forecast to account for 74 percent of such revenue. This is mainly



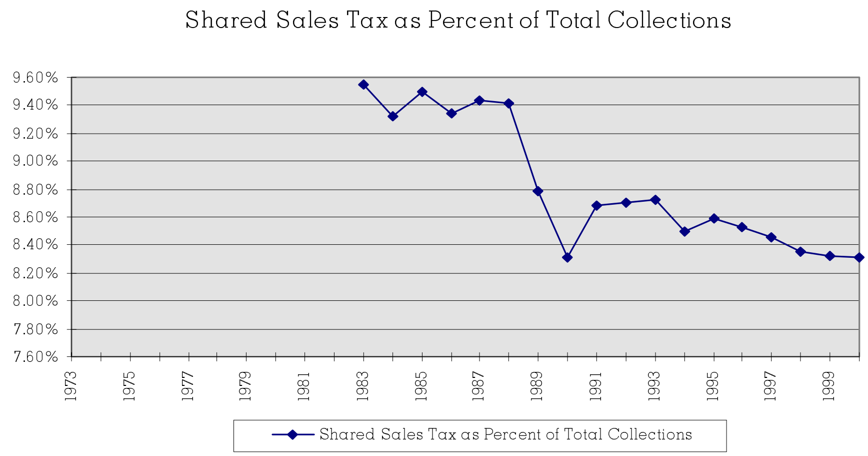
attributable to the precipitous decrease in cigarette tax revenue experienced by municipalities in recent years.



Shared sales tax revenue made up between 61 and 69 percent of revenue shared with counties between FY 1982-83 and FY 1998-99. The sales tax and intangibles tax bases grew at roughly the same rates during this period, and these are the principle elements of county shared revenue. Shared sales tax is forecast to account for 73 percent of county shared revenue in FY 1999-2000, reflecting the effect of the intangibles tax rate reduction.

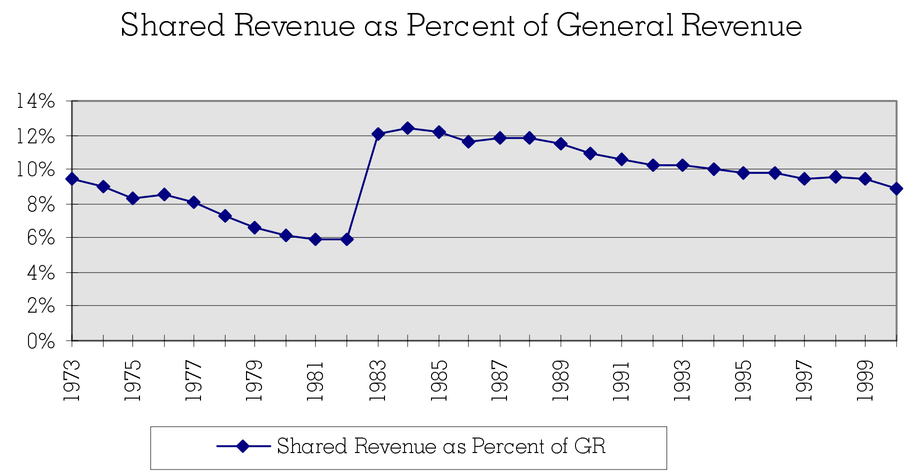


From 1983 through 1987, the half-cent sales tax distribution amounted to 9.4 percent of total sales tax collections. When the sales tax rate was increased from 5 cents to 6 cents in 1988, the additional revenue was directed to the State Infrastructure Fund, with none of the additional revenue distributed to local governments. The State Infrastructure Fund was abolished in 1991, and revenue that would have been deposited in the trust fund was directed to General Revenue. Since 1988, the distribution of sales tax revenue to local governments has averaged 8.5 percent annually.



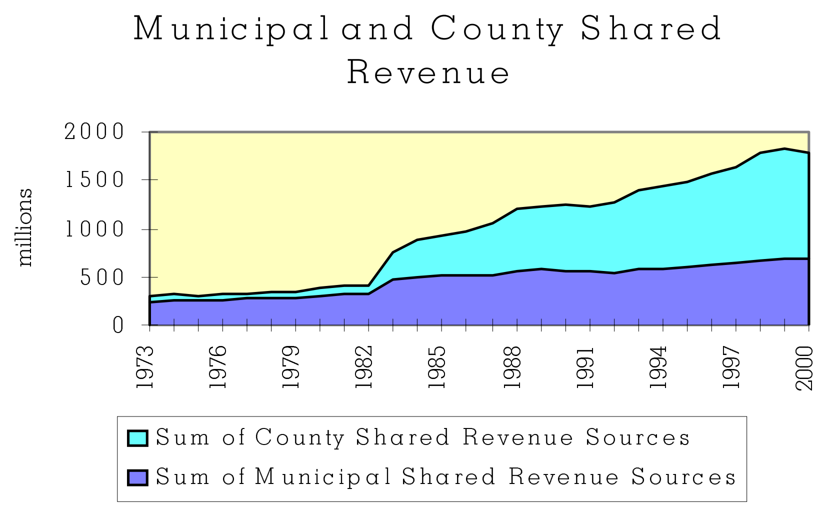
Shared Revenue and General Revenue

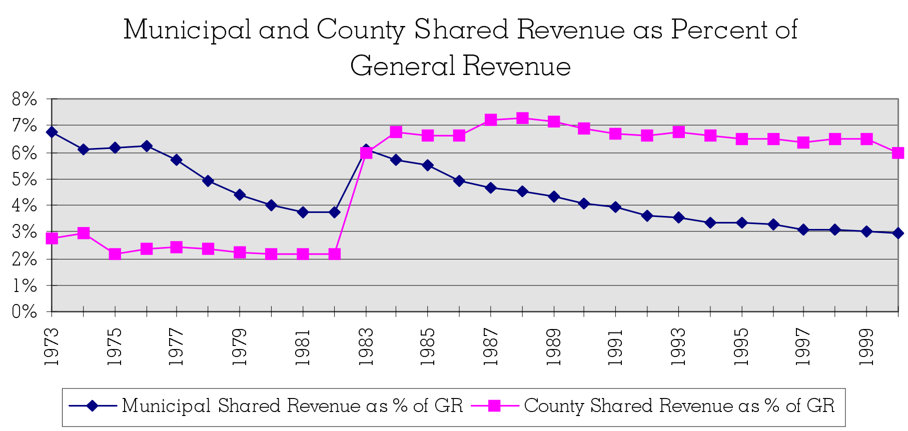
The sources of revenue that the state shares with local governments that are being reviewed here -- cigarette tax, intangibles tax, and sales tax -- also contribute the General Revenue Fund. In FY 1972-73, the first year after enactment of the Revenue Sharing Act of 1972, shared cigarette and intangibles taxes equaled 9.5 percent of General Revenue. This percentage dropped steadily until FY 1981-82, when it was 5.9 percent. This decrease is entirely attributable to the poor performance of cigarette tax revenue and the cigarette tax rate increase in 1977 that was not shared with local governments. The half-cent sales tax distribution enacted in 1982 raised the size of local shared revenue as a percent of General Revenue to over 12 percent for three years. Since then it has fallen gradually to an expected level of 8.9 percent in FY 1999-2000.



Revenue Sharing Experiences of Cities and Counties

The revenue sharing experiences of municipalities and counties have differed profoundly. In FY 1972-73, the first year of revenue sharing, the revenue shared with municipalities amounted to 6.7 percent of total General Revenue, while revenue shared with counties was 2.7 percent. By FY 1981-82, municipal revenue sharing had fallen to 3.7 percent, while county revenue sharing had declined by much less, to 2.2 percent. The half-cent sales tax raised municipal shared revenue to an amount equal to 6.1 percent of General Revenue and county shared revenue to 5.7 percent. In FY 1999-2000 the revenue shared with municipalities is forecast to equal 2.9 percent of General Revenue, and the counties' shared revenue is forecast to be 6 percent of General Revenue. Because of the revenue sources historically allocated to municipalities and counties – cigarettes taxes to cities and intangibles taxes to counties – counties have received an increasing proportion of shared state resources. In FY 1972-73 counties received 29 percent of shared revenue from cigarette and intangibles taxes. By FY 1981-82 the county share had risen to 37 percent. The half-cent sales tax distribution of 1982 further increased the county proportion of shared revenue to 49.3 percent in FY 1982-83, and it has grown steadily to 68.5 percent in FY 1998-99. The county share of total shared revenue is expected to decline slightly in FY 1999-2000 to 67.1 percent because of the intangibles tax rate cut enacted in 1999.



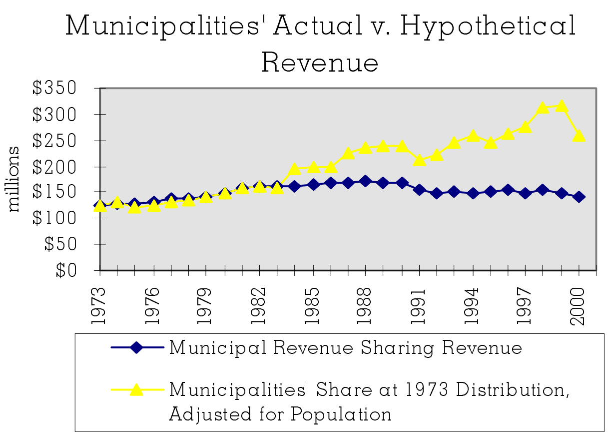


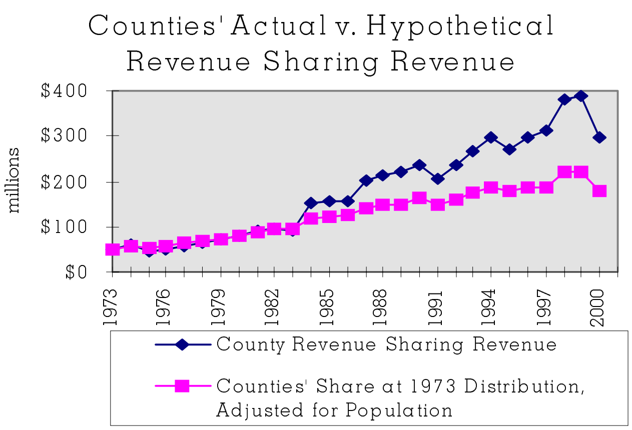
How Would Different Distribution Schemes Have Affected Revenue Sharing Outcomes?

Revenues Shared Under the Revenue Sharing Act of 1972

There is no evidence that the 1972 Legislature intended to provide for cities and counties in dramatically different ways, but that has been the practical effect of funding municipalities with cigarette taxes and funding counties with intangibles taxes. The chart above shows that through 1983 municipal and county shared revenue grew at roughly even rates, but after 1983 the relationship between them changed radically, with counties enjoying the effects of strong economic growth on intangibles tax revenue, and municipalities being penalized for the slow growth and eventual downturn in cigarette consumption.

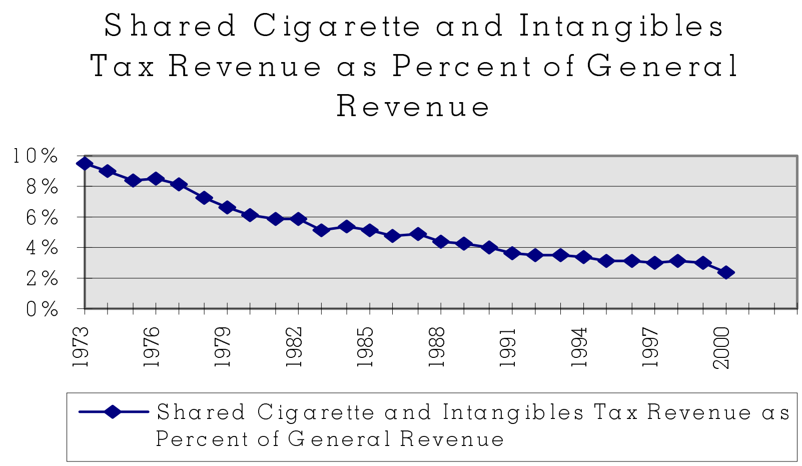
If, instead of earmarking cigarette taxes mainly for cities and intangibles taxes solely for counties, the Legislature had combined the two sources and provided for them to fund a single trust





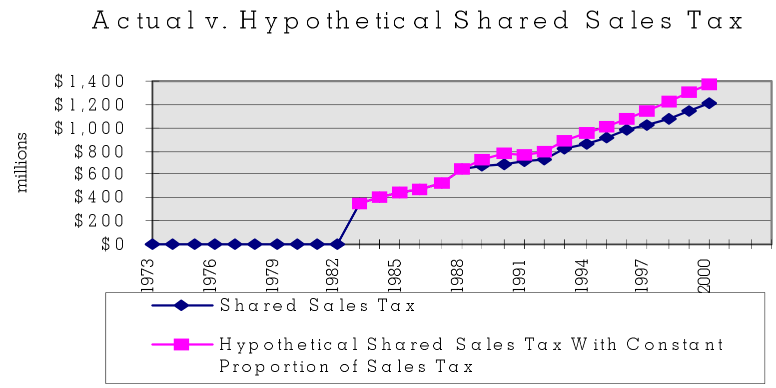
fund, to be distributed on the basis of population, the outcome for cities and counties would have been much different. The charts show how municipalities' and counties' distributions under such a scheme would differ from the actual historical distribution. Municipalities would receive 84 percent more revenue in 1999-2000 under this hypothetical scheme, and counties would receive 40 percent less.

The revenue sharing mechanism chosen in 1972 determined not only the relationship between cities and counties, but also shared a certain amount of state resources with local governments. The shared resources have not grown in proportion to state revenue from all sources. In FY 1972-73, cigarette and intangibles taxes shared with local governments amounted to 9.5 percent of General Revenue. The decline of this measure is shown on the chart, and the expected percentage for FY 1999-2000 is 2.4.



Half-Cent Local Government Sales Tax Distribution

When the half-cent local government sales tax distribution was adopted, the statewide sales tax rate was 5 cents, and the effective distribution was very close to 10 percent of total collections. The actual distribution was slightly lower because certain sources of sales tax revenue-- use tax on items imported into the state and assessments of delinquent taxes, for example--are not included. When the state-wide tax rate was raised to 6 cents, the effective distribution dropped to around 8.5 percent because not all sales tax collections were subject to distribution. The program’s name explains the distribution, because it remained approximately one-half of a cent of the now 6-cent tax. If the proportion of total sales tax allocated to local governments had remained constant, local governments would receive 13.4 percent more shared revenue in FY 1999-2000, which amounts to $1,379.5 million instead of the forecast amount of $1,216.3 million.



Conclusions and Recommendations

The revenue sharing programs covered in this report all provide significant resources for local governments, but they have not provided comparable rates of growth and stability. The cigarette tax, which is distributed to the Municipal Revenue Sharing, Municipal Financial Assistance, and County Revenue Sharing Trust Funds, has failed to maintain even its nominal value in the past decade, and in real terms has fallen to less than one-half its original value. The tax on intangibles, which funds the County Revenue Sharing Trust Fund, has shown healthy but not stable growth over its history, but the reduction in the tax rate enacted in 1999 significantly diminished this source, and potential future cuts further weaken it as a source of county revenue. The half-cent sales tax has provided a fairly stable revenue source for municipalities and counties, subject to minor downturns but mirroring the state's economic activity level.

The revenue sharing pattern established by the Revenue Sharing Act of 1972--cigarette tax money funding municipalities and intangibles tax money funding counties--has resulted in a substantial redistribution of state resources away from municipalities to counties. This redistribution has not been the result of an overt policy decision; it has come about because the revenue sources chosen to fund municipalities and counties have turned out so differently. The problems inherent in using cigarette tax as the source of municipal revenue sharing have been pointed out in reports prepared by the Florida Advisory Council on Intergovernmental Relations or its successor, the Florida Legislative Committee on Intergovernmental Relations, in 1981, 1987, and 1999. Legislation was introduced in 1999 in each chamber to address the problems created by basing municipal revenue sharing on cigarette taxes (S 1416, S 1720, H 1913, and H 1873) but only one of these bills was heard in committee, and none received extensive debate.

Until 1999, counties had been the beneficiaries of robust growth in intangibles tax revenue. Even though they received no benefit from tax rate increases imposed in 1990 and 1992, the underlying value of financial assets had grown significantly since the Revenue Sharing Act of 1972. The intangibles tax rate reduction enacted by the 1999 legislature (Ch 99-242, L.O.F.) substantially reduces this revenue source, however, and proposals to repeal the tax entirely create doubt about the future of this revenue source.

Based on this report's findings, Fiscal Resource Committee staff recommend that the legislature review its policy regarding revenue sharing with local governments. Such a policy should provide guidance regarding legislative intent on several points:

- What is the purpose of revenue sharing, i.e., for what are local governments expected to use shared revenue?
- What criteria must be met in order to qualify for revenue sharing?
- What is the state's level of commitment to revenue sharing? Should it be based upon a particular revenue stream or should it be funded out of general revenue as a function of population and inflation?
- If revenue sharing is to be changed, how will a transition from current-law distribution formulas be achieved?

Under current law and proposed intangibles tax changes, it is possible (and likely for municipalities) that the only stable and growing source of revenue sharing for general government purposes will be the half-cent sales tax distribution.

Appendix