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MEMORANDUM

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NEW ENGLAND PUBLIC POLICY CENTER

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To: Catherine Reilly, Maine State Economist
Cc: Robert Tannenwald, Director; Darcy Saas, Deputy Director
From: Matthew Nagowski, Senior Research Assistant
Re: Examples of Inter-local revenue sharing
Date: August 21, 2007

You requested examples of inter-local taxation and revenue sharing. While many other countries—particularly Canada, Australia, and those in Western Europe—have readily adopted regional governance structures that share tax structures, revenues, and spending programs—the United States has been slow to adopt such forms of local government.

Inter-local revenue sharing

Inter-local revenue sharing within regional areas may offer a solution to those areas where formal regional governance is politically untenable. Inter-local revenue sharing allows for revenues from an established region's tax base to be allocated across municipalities based on population or other measures of need, and not on the jurisdictional source of the revenue. Under such a scheme, all municipalities within an area can agree to share revenues from myriad tax bases per certain rules and considerations. However, public services may still be furnished at the local municipal level.

Inter-local revenue sharing typically involve up to three different taxes: general sales taxes, property taxes, or business and occupation taxes. There are three different "pots" of revenue that are or have been redistributed: any incremental tax collections above the current baseline, tax collections generated by additional tax increases, or a negotiated share of current tax collections.

As noted above, revenues may be redistributed among municipalities according to an array of different measures of expenditure need, not necessarily under strict per capita terms. For instance, municipalities may decide to redistribute a portion of sales tax revenues to school districts based on the percentage of students qualifying for free or reduced-price lunches.

Advocates for inter-local revenue sharing assert that properly structured schemes can help to ameliorate the *fiscal disparities* that would otherwise exist across a region's cities, towns, and villages. Some cities and towns within a region or metropolitan area are bestowed with high property valuations and wealthy constituents. Similarly, through no direct fault of their own, some municipalities encounter a more challenging fiscal situation, facing lower property values and a higher need for public service provision than their neighbors. Fiscal disparities can be mitigated by redistributing public resources away from high capacity/low need municipalities to low capacity/high need ones.

Inter-local revenue sharing can also help to reduce the intensity of *fiscal competition* that exists across neighboring jurisdictions. Fiscally-stressed municipalities will be less likely to skew their tax and spending choices to try to augment potential tax bases at the expense of their neighbors (for example, by trying to promote development of shopping centers or lure large employers) if they know that their stress will be reduced by revenue transfers from their more fiscally comfortable neighbors. In this manner, dampening fiscal competition slows sprawl, as each community in a region feels less compelled to foster its own commercial growth in attempt to generate revenue capacity.

As illustrated in the case studies analyzed below, the creation and enforcement of revenue sharing schemes are also motivated by other considerations, such as the desire to avoid annexation, to improve the efficiency of economic development efforts, or to promote more effective environmental regulation.

Although inter-local revenue sharing has generally occurred among metropolitan areas with a declining urban core and sprawling suburban development, rural, suburban, or exurban revenue sharing schemes are also possible.

Case studies

The following three examples provide a brief overview of what inter-local revenue sharing may involve. A 2001 report written for the Rural Resort Region and Garfield County, Colorado by BBC Research and Consulting provides a more exhaustive listing of examples of inter-local revenue sharing across America.[1] A copy of that report is appended to this memo.

Monroe County, New York
Whereas revenue sharing had previously been tied to population, since 1985, Monroe County has provided a disproportionate share of its local-option sales tax revenues to the city of Rochester, New York, as the city has needed to respond to a declining tax base and an increasing need for public service provision. The goal of this revenue sharing plan clearly is to narrow fiscal disparity between Rochester and other municipalities within the county. While revenue sharing helped the fiscal condition of the City of Rochester, Monroe County was left with unexpected revenue shortfalls.

Twin Cities Fiscal Disparities Program
Since 1975, seven counties within the Minneapolis-St. Paul metropolitan area have agreed to share a portion of the property taxes generated by growth in their commercial and industrial property tax bases. Specifically, each jurisdiction computes 40 percent of the *growth* in the value of taxable commercial and industrial property. Each jurisdiction foregoes taxing this amount; instead it contributes the amount to the base of a tax imposed collectively by the revenue sharing area. The rate of this area-wide tax equals the average rate of the contributing jurisdictions, weighted by each jurisdiction's contribution to the base.[2] The revenue generated by this tax is then redistributed among jurisdictions in inverse proportion to its *aggregate* per capita value of taxable property. In this manner, the tax redistributes revenues from jurisdictions with relatively high tax capacities to those with relatively low capacities. While the program has been successful in lessening the revenue disparities encountered by municipal governments, some

[1] "Local Revenue-Sharing Methodologies." Prepared for Rural Resort Region, Colorado. BBC Research and Consulting. October 2001.

[2] Thus, if jurisdiction A contributes twice as much to the base of the aggregate tax as jurisdiction B, A's tax rate is weighted twice as heavily as B's in determining the rate at which the collective tax is imposed.

counter that the formula for redistributing revenues across jurisdictions also needs to take into account disparities in the cost of service provision.

City of Louisville and Jefferson County, Kentucky
Beginning in 1985, both the City of Louisville and Jefferson County shared revenue from occupational license fees imposed on wages and net profits. Both entities were entitled to a share in the growth of the revenues stemming from occupational license fees, with the base year of 1985. The formulas for sharing the receipts from these taxes were complicated: a different formula applied to increases in receipts attributable to inflation than increases above and beyond inflation. Inflation was measured by the nation-wide consumer price index. The allocation of revenue increases attributable to inflation was based on a three-year moving average of the share of *total* receipts collected by each jurisdiction. As for the allocation of revenue growth above and beyond inflation, each jurisdiction was allowed to keep 10 percent of this growth. The remaining 90 percent was distributed according to a five-year moving average of *total* receipts collected by each jurisdiction. Thus, the designers of the formula attempted to allocate receipts from relatively fast growing jurisdictions to relatively slow growing ones in the interests of mitigating fiscal disparities. Jefferson County consolidated with the City of Louisville in 2000 and both are now considered to be one political jurisdiction.

Considerations for Maine

As you know, Maine's rural and metropolitan regions clearly exhibit inter-jurisdictional fiscal disparities. As was argued in GrowSmart Maine's and The Brookings Institution's report, "Charting Maine's Future: An Action Plan for Promoting Sustainable Prosperity and Quality Places", these disparities help to propagate unsustainable amounts of sprawl, contributing to spiraling infrastructure costs across the state. Advocates of inter-local revenue sharing would argue that it could ameliorate these disparities.

Cumberland County provides just one example of the extent to which Maine towns have different revenue capacity. Table 1 displays the property tax valuation, average mill rates, average expected municipal property tax revenues, and per capita property tax capacity and revenue for municipalities with reported mil rates, as well as for a subset of towns and cities in Cumberland County that hypothetically could compose the Portland urbanized metropolitan area. Across the hypothetical Portland metro area, some municipalities have more than double the amount of per capita property tax valuation than others. Across Cumberland County, these disparities can double again.

Suggested reading

"Local Revenue-Sharing Methodologies." Prepared for Rural Resort Region, Colorado. BBC Research and Consulting. October 2001.

O' Looney, John. "The New Home Rule: A Regionalism Alternative, Supplement, or Distraction?" *National Civic Review*. Spring 2004.

Gillette, Clayton P. "Regionalization and Interlocal Bargains." *New York University Law Review*. Vol 176:190. pp. 190-271.

Table 1: Cumberland County property tax valuations and mill rates, FY2006

	Mill Rate	Population	Per capita property tax collection	Rank	Per capita property valuation	Rank
Harpswell town	0.006	5,393	$1,651	17	$277,471	1
Sebago town	0.012	1,533	$2,372	6	$204,468	2
Raymond town	0.010	4,888	$1,787	14	$175,215	3
Naples town	0.015	3,483	$2,630	4	$172,997	4
Cape Elizabeth town	0.016	9,164	$2,787	3	$172,479	5
Freeport town	0.013	8,347	$2,003	11	$160,279	6
Yarmouth town	0.018	8,659	$2,888	2	$159,366	7
Cumberland town	0.019	7,794	$2,971	1	$153,156	8
Harrison town	0.016	2,531	$2,368	7	$149,842	9
Falmouth town	0.014	11,916	$2,135	10	$148,267	10
Scarborough town	0.011	19,608	$1,682	16	$146,532	11
South Portland city	0.013	23,383	$1,911	12	$145,884	12
Bridgton town	0.011	5,232	$1,605	18	$142,020	13
Casco town	0.018	3,734	$2,193	9	$123,192	14
Portland city	0.016	64,712	$1,774	15	$108,774	15
North Yarmouth town	0.011	3,660	$1,120	22	$100,929	16
Gray town	0.012	7,340	$1,227	21	$98,985	17
Westbrook city	0.024	16,125	$2,335	8	$97,826	18
Baldwin town	0.014	1,314	$1,348	20	$95,624	19
Pownal town	0.027	1,692	$2,512	5	$93,322	20
Windham town	0.011	15,934	$1,031	23	$91,264	21
Standish town	0.010	10,350	$876	24	$89,618	22
Brunswick town	0.022	21,490	$1,799	13	$82,699	23
Gorham town	0.019	15,523	$1,542	19	$79,508	24
New Gloucester town	0.010	5,269	$686	25	$71,057	25
CUMBERLAND COUNTY	**0.000**	**279,074**	**$1,827**		**$122,397**	
Cape Elizabeth town	0.016	9,164	$2,787	3	$172,479	1
Yarmouth town	0.018	8,659	$2,888	2	$159,366	2
Cumberland town	0.019	7,794	$2,971	1	$153,156	3
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Gorham town	0.019	15,523	$1,542	9	$79,508	9
PORTLAND METRO	**0.000**	**176,884**	**$1,997**		**$124,692**	

Author's calculations based on 2006 property tax valuation and rates from the Maine Revenue Service Department, Property Tax Division and population data from the Maine State Planning Office.

Final Report

Local Revenue-Sharing Methodologies

Final Report

October 30, 2001

Local Revenue-Sharing Methodologies

Prepared for

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SECTION I.
Introduction

BBC Research & Consulting (BBC) was retained by the Rural Resort Region to investigate alternative methodologies for inter-local revenue sharing. During the past five Colorado General Assembly sessions, legislators from the Region have introduced bills that would authorize local revenue-sharing agreements for growth-impacted communities (and a corresponding reduction in state sales tax collections in those jurisdictions in years when excess state revenues are projected). None of these bills have been signed into law. In 2000, Representative George's Growth-Impacted Local Government Assistance bill was passed by the House but did not reach the floor in the State Senate. A similar bill introduced by Representative Rippy in 2001 did not reach the floor of the House.

Although the legislature has not reached agreement on the need for state action, many lawmakers and citizens in the Rural Resort Region are convinced of the need to share revenues in order to address the impacts of disparate rates of commercial and residential growth in various mountain communities. Because of the difficulties encountered so far in getting legislative approval, county and municipal officials are interested in revenue-sharing programs that would not require approval or participation by the state government.

In order to learn about the best practices in local revenue-sharing elsewhere in the country, BBC contacted representatives of several national associations as well as state, county and municipal government officials. We have also reviewed Colorado local government and tax law with representatives of Colorado Counties, Inc., the Colorado Municipal League and Legislative Legal Services.

Findings

Although revenue-sharing is widely promoted as an important component of Smart Growth plans, regional revenue-sharing programs are still quite rare. In the 30 years since the Minnesota Legislature authorized the Twin Cities Fiscal Disparities Program, few other regions have adopted multi-jurisdictional revenue sharing. Most revenue-sharing programs involve just two participants: a city and a county or two cities.

The tide may be turning, however. Residents in many parts of the country cite sprawl as their most pressing public concern. More and more citizens groups are recognizing the connections between land use patterns and fiscal policies. The small number of communities (such as Montgomery County, Ohio and Allegheny County, Pennsylvania) that have followed the example of the Twin Cities model to date, may soon be joined by metro areas in all parts of the country.

Although the political process of developing revenue-sharing programs that are acceptable to diverse participating communities can be lengthy and complicated, the revenue-sharing programs themselves are relatively straightforward. Communities generally share one or more of the following revenue streams: sales taxes, property taxes and occupation/business taxes. There are three basic ways of determining how much revenue each entity should contribute to the revenue pool: share the revenues from additional mills/rate increases; share the incremental tax collections above a designated baseline amount; or share a negotiated percentage of proceeds from the current mill levy/tax rate. Exhibit I-1 shows which revenue streams are shared and the methods used to determine pool contributions in each of the case-study programs that BBC studied.

Exhibit I-1.
Revenue Streams Shared by Case-Study Programs

Revenues Contributed to Sharing Pool	*Sales Taxes Shared*	*Property Taxes Shared*	*Business/ Occupation Taxes Shared*
Tax collections generated by additional mills/rate increases	Montgomery County ED/GE Program Allegheny Regional Asset District		
Increment of tax collections above current baseline		Twin Cities Fiscal Disparities Program Meadowlands Tax Sharing Program	Louisville-Jefferson County Compact
Negotiated share of tax collections generated by current mills/rates	North McHenry Agreement (Modesto, California) Moses Lake-Grant County Agreement	Franklin-Southampton County Program North McHenry Agreement (Modesto, California) Moses Lake-Grant County Agreement	Franklin-Southampton County Program North McHenry Agreement (Modesto, California) Virginia's 1st Regional Industrial Facility Authority

Source: BBC Research & Consulting.

Distribution formulas for the pooled revenues are based on need. Although the calculations in certain programs are fairly complicated, they are based on two simple principles: need as defined by local service demands (defined by population, public school pupil count, number of households, etc.) or need as defined by relative weakness of local tax base (generally defined as ratio of tax base per capita in municipality compared to tax base per capita in region as a whole).

Given the nature and origin of fiscal disparities in the area and the TABOR requirement of voter approval for any tax increases, we believe that sharing incremental sales and property tax revenues may be the most promising methodology for the counties and municipalities of the Rural Resort Region. Although sharing a business/occupation tax would be more difficult (because it would require raising rates in some communities and levying an entirely new tax in others), it may also make sense. Many of the fiscal disparities experienced by mountain communities are caused by people working in one place (where businesses generate property, sales and occupation taxes) and living in another (where property and sales tax collections do not keep pace with the cost of providing services to residents).

Organization of this Report

Detailed descriptions of exemplary revenue-sharing programs elsewhere in the country are presented in Section II. Section III summarizes existing revenue-sharing programs in Colorado and state law concerning intergovernmental agreements. The Appendix presents some background data on population and revenue collection trends within the Rural Resort Region.

SECTION II.
Case-Study Revenue-Sharing Programs

Government officials and residents in the Rural Resort Region are interested in revenue sharing because of fiscal disparities between communities with large tax bases and communities with service demands from residents who work outside of the community where they live. The oldest and best-known inter-local revenue-sharing program, the Fiscal Disparities Program in the Twin Cities, is designed to ameliorate the consequences of unequal tax bases in different parts of the Minneapolis-St. Paul metro area. The ED/GE program in the Dayton (Ohio) area is also designed, in part, to address disparities in tax bases and revenue growth. However, these programs are the exception. Many local revenue-sharing programs are used to prevent annexation battles. Other programs have been implemented in order to encourage economic development.

Although most of the existing revenue-sharing programs were designed to address different conditions than those experienced in the Rural Resort Region, these programs may still offer useful examples of various revenues streams, formulas for distributing revenues and other program mechanisms.

Case Studies

Brief case studies of the following programs are presented on pages 5 through 16:

- Programs designed to reduce fiscal disparities between communities (Twin Cities Fiscal Disparity Program; Montgomery County ED/GE Program; Monroe County, New York);
- Programs designed to prevent annexation battles (Franklin-Southampton, Virginia; Louisville-Jefferson County Compact, Kentucky; North McHenry Tax Sharing Agreement, Modesto, California; Moses Lake-Grant County, Washington);
- Programs designed to encourage economic development (Allegheny Regional Asset District, Pennsylvania; Regional Industrial Facility Authority, Virginia); and
- Programs designed to protect environmentally sensitive land (Meadowlands District, New Jersey).

A summary of lessons learned follows the case studies.

Twin Cities Fiscal Disparities Program. This program was designed to improve equity in the distribution of fiscal resources and promote regional planning objectives. Communities in the seven-county metro area share a portion of the growth in their commercial-industrial property tax bases. This program was authorized by state law in 1971 but court challenges delayed its implementation until 1975. In 1996, a similar program was established in the Iron Range area in northern Minnesota.

Source of funds. The 300 taxing jurisdictions in the seven-county area contribute 40 percent of the growth in their commercial tax base to an area-wide pool. The area-wide tax rate on this shared tax base is calculated using the weighted average local property tax rates of all participating jurisdictions in the previous year.

Revenue-sharing formula: The revenue-sharing formula is based upon each municipality's aggregate property value per capita compared to the area-wide average property value per capita. The formula does not take service needs into consideration. While Minneapolis and the suburban communities such as Farmington have very similar property values per capita, their spending needs are quite different. Some municipalities would like to see a distribution formula based on indicators of service needs (such as poverty rates, age of housing stock, etc.).

Size of revenue-sharing pool. In 2000, $406.8 million in property tax revenues were shared through the program.

Participating jurisdictions. All taxing jurisdictions with commercial-industrial property in the seven-county area, including counties, municipalities and school districts, participate in the program.

Year of inception of revenue-sharing program. Authorized in 1971 and implemented in 1975.

Authorization. Authorized by the Charles R. Weaver Metropolitan Revenue Distribution Act, passed by the Minnesota Legislature in 1971.

Impetus for revenue-sharing. There was concern about imbalances in the distribution of commercial and industrial development compared to the distribution of residents with service needs. It was also thought that tax-base sharing would reduce competition for development of new businesses and, therefore, discourage sprawl.

Lessons learned. This program has been successful in accomplishing the goal of reducing the disparities between communities' fiscal resources. One study, conducted in the early 1990's, reported that the differential between the highest and lowest Commercial-Industrial tax bases per capita (for municipalities with population greater than 9,000) had been reduced to 4 to 1, while that ratio would have been 22 to 1 in the absence of the agreement. However, the program continues to have its detractors, with some arguing that the formula should also consider disparities in the costs faced by the government entities in providing services, which are caused by external changes in economic and demographic conditions.

Montgomery County Economic Development/Government Equity (ED/GE) Program. Montgomery County, Ohio has been operating a revenue-sharing program with its municipalities, including Dayton, for over a decade.

Source of funds. In 1989, Montgomery County increased its sales tax by 0.5 percent to a total of 6.5 percent. About 70 percent of the proceeds from this tax increase were earmarked for economic development (ED). Funds for the government equity (GE)portion come from participating jurisdictions. The ED funds are distributed through a grant process. The GE distribution formulas are explained below.

Revenue-sharing formula. Contributions to the GE fund are determined by first calculating a county-wide "growth contribution rate," which equals one-third of the growth in property and income taxes for all participating jurisdictions as compared to a base year divided by the increase in the assessed valuation for participating jurisdictions as compared to the base year. This common factor is then applied to the sum of: a) 100 percent of the increase in commercial/industrial property valuation; b) 25 percent of the increase in residential property assessed; c) 50 percent of the increase in property tax revenues; and d) 50 percent of the increase in income tax revenues to determine each jurisdiction's contribution to the pool. For the first three years of the ED/GE program, the base year was 1989, after which it advanced each year. Thus, the base year for calculating 2000 contributions and distributions was 1997.

The pooled funds are distributed according to population. Those jurisdictions whose contribution to the growth of government revenues exceeds their respective share of the population are net contributors, while those jurisdictions whose contribution to the growth of government revenues are less than their share of the population are net recipients.

Included in the ED/GE agreement is a "settle-up" provision, which says that over the entire life ED/GE, no jurisdiction will contribute more to the GE Fund than they receive in grants from the ED fund. This was a compromise on behalf of suburban jurisdictions whose constituents may have opposed revenue re-distribution.

Size of revenue-sharing pool. $5 million is available annually for distribution through sales-tax funded ED grants. In 2000, $627,000 in GE funds were distributed to participating jurisdictions.

Participating jurisdictions. Currently, all potential participating jurisdictions are members of the ED/GE program. This includes 14 cities, five villages and nine townships, the largest of which is the City of Dayton.

Year of inception of revenue-sharing program. The ED/GE program began in 1992 under a nine-year agreement. This year the program was renewed for another 10 years.

Impetus for revenue-sharing. A declining regional economy led to municipal fiscal constraints. The ED/GE program is primarily an economic development tool that provides for the improvement of local infrastructure to increase the attractiveness of local communities to commercial enterprise. Areas that are successful in attracting new businesses and increasing their tax base will be net contributors to the GE fund and will help the areas that are lagging behind.

Lessons learned. After some initial resistance and legal challenges, the program has achieved 100 percent participation from Montgomery County's constituent jurisdictions. It has proven to be non-labor intensive, requiring only one full-time administrative employee, whose salary, along with all other administrative costs, is paid by the County, not out of ED/GE program funds.

Monroe County, New York. For more than 15 years, Monroe County has shared revenues with the City of Rochester to assist the City in responding to a declining tax base and increasing service needs.

Source of funds. The shared funds are generated through local sales tax. In New York, local sales taxes are levied by counties and then distributed to municipalities. In 1985, as a result of the Morin-Ryan Act, Monroe County altered its distribution formula to provide more revenue to the City of Rochester. Prior to 1985, the City's share was solely tied to its proportion of the population base. In 1993, the County increased its sales tax from 3 to 4 percent to address shortfalls created by the revenue-sharing formula.

Revenue-sharing formula. For the revenue generated by the original 3 percent sales tax, under the new system, the City is entitled to half of the growth in revenue countywide using the previous year as a base. After this growth is taken off the top, the County receives 25 percent, the City receives a share proportionate to its share of the County's population, suburban schools receive one-third of the remaining funds, and town and villages receive the remainder. The Morin-Ryan Act capped the City's total share at 35.63 percent. In addition, the Morin-Ryan Act protected suburban schools, towns and villages by requiring that any shortfall in the amount that they received under the new distribution formula would be made up by funds from the County.

Distribution of the revenue generated by the additional 1 percent sales tax is as follows: suburban schools receive 5 percent (distribution to each district based on enrollment); towns receive 3 percent (distribution based on population); villages receive 1.25 percent (distribution based on population). The City of Rochester and Monroe County then divide the remaining 90.75 percent so that total revenue to each (from the 3 percent and 1 percent portions) are equal.

Size of revenue-sharing pool. In 2000, the total revenue pool was $357 million of which $113.0 million (31.6 percent) went to the City of Rochester and $113.0 million (31.6 percent) went to Monroe County. The suburban towns received $73.4 million (20.5 percent); suburban schools received $49.8 million (13.9 percent); and villages received the remaining $8.3 million (2.3 percent).

Participating jurisdictions. The City of Rochester, Monroe County, and all towns (19), villages (11) and school districts (24) located within the County.

Year of inception of revenue-sharing program. The Morin-Ryan Act, which changed the distribution formulas, was enacted in July 1985.

Authorization. Passage of the Morin-Ryan Act by the state legislature and subsequent legislative approval of the 1 percent local sales tax increase.

Impetus for revenue-sharing. Revenue sharing had been tied to population. The Morin-Ryan Act allowed the City to receive a disproportionate share of sales tax revenues to address its service and educational needs. When the County asked for access to additional revenue by increasing the local portion of sales tax by 1 percent, many of the local recipients of sales tax revenue wanted a portion of those revenues, as well.

Lessons learned. After passage of the Morin-Ryan Act, the County's sales taxes grew more slowly than expected. Revenue sharing helped Rochester but left the County with unexpected shortfalls. While the 1 percent sales tax increase has improved the County's fiscal situation, it is still faces funding shortages for social services and public safety.

City of Franklin-Southampton County, Virginia. Municipal annexations can be particularly controversial in Virginia for a number of reasons. First, Virginia is the only state in which cities are independent entities entirely separate from the adjoining counties. "City boundaries denote a complete geographic and governmental demarcation from contiguous jurisdictions, with no county authority or taxing power extending within the corporate limits of a city."[1] Thus, annexation by a city means decreasing population, land area and tax revenues in the affected county. In addition, school district boundaries in Virginia almost always coincide with cities and county boundaries and are adjusted in the event of an annexation. Finally, municipal annexation issues are not decided by a vote of the landowners but rather by a special three-judge court.

In order to prevent costly annexation litigation, the Virginia legislature adopted a measure in 1979 that permits cities and counties to enter into voluntary agreements in which the city gives up its annexation authority in exchange for a share of the growth in county tax revenues. In 1983 the law was amended to require that these inter-local annexation/revenue-sharing agreements be approved by the state Commission of Local Government.

Revenue-sharing agreements have been implemented between several Virginia cities and counties including the City of Charlottesville and Albermarle County; the City of Lexington and Rockbridge County; and the City of Franklin and Southampton County. The Franklin-Southampton agreement is summarized below.

Source of funds. Local tax revenues (including real property and personal property tax, gross receipts tax and utility tax) generated in an area of the County designated for immunity from annexation, referred to as the Designated Area.

Revenue-sharing formula. The county will share 30 percent of all property tax revenues from industries and businesses that are located in the Designated Area and are served by City water and wastewater services. (Note that there are other Virginia revenue-sharing agreements that are solely based on immunity from annexation and do not require provision of a city's services to portions of a county.)

Size of revenue-sharing pool. Because there is now only one industrial development served by City water and located in the Designated Area, the revenue-sharing plan currently provides Franklin with only $35,000 to $40,000 per year. However, County plans call for future industrial development on 1,800 acres within the Designated Area.

Participating jurisdictions. The City of Franklin and Southampton County.

Year of inception of revenue-sharing program. This program was approved by the Commission on Local Government and implemented in 1999.

Authorization. 1979 and 1983 state legislation authorized local agreements to grant immunity from annexation in exchange for revenue sharing and required such arrangements to be approved by the Commission on Local Government. This legislation is now codified as Section 15.1-1167.1 in the

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[1] Richman, Roger and M.H. Wilkinson. "Interlocal Revenue Sharing: Practice and Potential." National League of Cities, 1992, p. 11.

Code of Virginia. The future county payments in such arrangements are considered long-term debt and are thus subject to voter approval under the Virginia Constitution. The voters of Southampton County approved this proposed agreement in 1997.

Impetus for revenue-sharing. Although this area of the county has good highway access and vacant land suitable for industrial and commercial development, it would have been difficult for Southampton County to serve this area with its existing water and wastewater treatment plants. Therefore, it made sense to use City facilities to serve this area and to remit future tax revenues in exchange for this privilege. Although the City could have attempted annexation of this land adjacent to current city boundaries, this would have been controversial and could have triggered protracted litigation. The revenue-sharing agreement allows the City to benefit from future development in the Designated Area without annexing the land.

Lessons learned. The City of Franklin Finance Department has not encountered any problems in implementing this relatively small program (only $40,000 in tax revenues per year). They anticipate that this program will continue to work well as larger portions of the Designated Area are developed.

The Compact: City of Louisville and Jefferson County, Kentucky. The City and County have participated in a revenue-sharing program for the past 15 years.

Source of funds. Under The Compact, the City of Louisville and Jefferson County share revenue from a pool generated by occupational license fees imposed on wages and net profits. A 1.25 percent tax is imposed on wages and a 2.2 percent tax is levied on the profits of business activities. This revenue is not dedicated—it contributes to the general funds of the respective jurisdictions. The City of Louisville has been collecting these license fees since the 1950s, the County since 1978. The occupational tax represents the largest single source of revenue for both the City and the County; Kentucky has no local sales tax and property tax revenue collections are capped at a 4 percent annual increase.

Revenue-sharing formula. Under The Compact, the City and County are each entitled to shares of the growth in occupational license fees, as compared to the base year of 1985. When comparing the 1985 and current-year collections for the City and County, the Consumer Price Index is used to distinguish between "real" and inflationary growth in the tax receipts.

Tax collections in the base year totaled $84,309,000. Of that amount, the City generated 58.6 percent and the County 41.4 percent. The City and County continue to split this base tax base in the same percentages each year. The City is entitled to 59.7 percent and the county receives 40.3 percent of inflationary growth. This split is based upon the three-year average of total occupation revenues generated by each entity. The three-year average was selected to provide a more accurate projection of inflationary impact than a single-year estimate. Each entity is entitled to 10 percent of its own real growth, while the City is entitled to 51.48 percent of the total real growth and the County receives 38.52 percent. This split is based on a five-year average of the growth in City and County occupational tax revenues.

Size of revenue-sharing pool. Historically, the City has received more from the pool than it collects from its businesses. In 1999,the total pool was $186.9 million based on collection of $99.3 million from the City of Louisville and $87.6 million from Jefferson County. Based on the provisions of the Compact, the City was entitled to a distribution of $108.4 million (58 percent) and the County was entitled to $78.5 million (42 percent).

Participating jurisdictions. The City of Louisville and Jefferson County, Kentucky.

Year of inception of revenue-sharing program. The Compact began in 1986 and was renewed in 1998. The City and County are moving toward a consolidation to begin in January 2003.

Authorization. The State laws authorize The Compact as a means of cooperation between the City and the County; the State approved the distribution formula.

Impetus for revenue-sharing. The City of Louisville had been involved in a number of costly annexation battles. In addition, there was increasing fiscal inequity between the City and County. The County was experiencing much higher growth in its tax base as the number of jobs in outlying areas and the wages paid for those jobs grew. By entering into The Compact, the City of Louisville agreed to halt annexation efforts.

Lessons learned. In addition to its revenue-sharing agreement, The Compact included provisions that restructured which services were provided by the two participating entities. This transition also resulted in joint funding of parks and recreation, library operations, and the promotion of further economic development, providing a substantial fiscal benefit to the City. This arrangement has ultimately led toward the development of the consolidated government that will begin operation in January 2003.

North McHenry Tax Sharing Agreement: City of Modesto and Stanislaus County. The City of Modesto and Stanislaus County have participated in a tax sharing district for almost three years.

Source of funds. The revenue being shared between the City of Modesto and Stanislaus County is generated by previously existing sales, property, business and utility taxes in the McHenry Avenue business corridor.

Revenue-sharing formula. The City and County will share tax revenues generated in the North McHenry area based on the each jurisdiction's share of the total tax revenues generated from the area in 1998-9. In the base year, 49.96 percent of tax revenues in the area were generated within the City limits and 50.04 percent were generated in the unincorporated County. As the City annexes land in the unincorporated County, the County's share will be reduced somewhat to reflect the cost of providing City services to the annexed area. The tax sharing agreement allows the County to retain sales taxes that would otherwise flow to the City once land is annexed.

Size of revenue-sharing pool: The City of Modesto declined to provide recent information regarding the amount of tax revenue that has been generated within the designated area and the relative distribution to each of the participants. In the base year, the City received $1.399 million in tax revenues from the area and the county received $1.402 million.

Participating jurisdictions: City of Modesto and Stanislaus County

Year of inception of revenue-sharing program. 1998

Authorization. California law authorizes inter-local revenue-sharing between jurisdictions upon approval by those jurisdictions' governing bodies. This is a result of Proposition 11, passed in 1998. Prior to Proposition 11, voter approval was required for local entities to engage in these agreements.

Impetus for revenue-sharing. The McHenry corridor in Modesto is a busy commercial strip with a large number and variety of tax-generating enterprises. Some businesses, auto dealerships in particular, have located on McHenry in unincorporated Stanislaus County, in order to avoid paying city taxes. However, these business wanted municipal level services, such as sewer and water, which were provided by the City. Stanislaus County did not want this area to be annexed because that would decrease its sales tax revenues. The annexation/revenue-sharing agreement was reached in order to avoid annexation battles between the City and the County.

Lessons learned. Keep the program relatively simple, particularly with respect to administration, and try to involve administrative personnel in program planning. The City has experienced some difficulties in administering this arrangement after the departure of key individuals who were integral in program implementation. This agreement may serve as a model for future arrangement between the City and County. There are "islands" of unincorporated areas bordered on all sides by Modesto that the City may want to annex in the near future to allow for uniformity in land-use planning decision-making and service provision.

City of Moses Lake and Grant County. In Washington, as in California, once a portion of an unincorporated county is annexed to a city, the county no longer receives sales tax revenues from the businesses located there. The county also loses a portion of local property tax receipts. This provokes annexation disputes. In order to avoid such battles, the City of Moses Lake and Grant County entered into a revenue-sharing agreement.

Source of funds. The funds being shared are sales and property taxes generated from land newly annexed to the City.

Revenue-sharing formula. For all annexations, the County will receive all tax revenue for the full year in which the property was annexed. The first $20 million of assessed valuation (not including resource-based industries related to agriculture, forestry, mining or fishing) in the newly annexed areas within the Urban Growth Area is exempt from the sharing agreement. For the increment of property valued in excess of $20 million, starting in the year after the annexation, the City will reimburse the County $1.50 per $1,000 of assessed valuation in the first year. In subsequent years, this reimbursement will fall by $0.25 per $1,000 in assessed valuation until it diminishes to zero. This will allow the County a six-year ramp-down in its tax receipts.

For resource-based industries, the City will begin by reimbursing the County at a rate of $2.23 per $1,000 in assessed valuation, decreasing the amount by $0.25 per $1,000 each year until the payment reaches $1.25. The City will continue to reimburse the County at a rate of $1.25 per $1,000 of assessed valuation for property with resource-based industries for the remainder of the agreement period. If a new resource-based industry locates in the area after annexation, the City will reimburse the County at the $1.25 per $1,000 rate for a period of 10 years after the development.

Finally, at the time of annexation, the City is responsible for reimbursing the County for all locally funded capital improvements that have been made in the unincorporated area.

Size of revenue-sharing pool. 2001 is the first year that the revenue-sharing agreement will be operational, so there is no data currently available on the size of the pool.

Participating jurisdictions. The City of Moses Lake and Grant County, Washington

Year of inception of revenue-sharing program. While discussions and negotiation have been in progress for several years, a mediated agreement was reached in September 1999 and the program was implemented as of January 1, 2001. While the agreement covers a period of 20 years, both parties have agreed to review it after 10 years, at which time it may be altered or terminated if both the City and the County consent.

Impetus for revenue-sharing. There was conflict over annexation between the City and the County because of the potential loss to the County of sales tax, property tax and roads tax revenue in the event of annexation. The agreement calls for reimbursement to the County over a fixed time period of a share of lost revenue. The City of Moses Lake was supplying water and sewer to properties in unincorporated areas with which there were contiguity agreements whereby the City agreed to annex when the City boundaries eventually became contiguous to these properties.

Lessons learned. The process of reaching this agreement has been quite acrimonious. Differing interpretations of some language in the agreement have jeopardized implementation. It is important to identify points of confusion and disagreement earlier in the process so that these issues can be resolved prior to the implementation phase.

Allegheny (County) Regional Asset District. The Allegheny Regional Asset District is a multi-faceted program that includes a revenue-sharing component. Half of the program's revenues are used to fund regional assets such as the Pittsburgh Zoo, the Carnegie Library and the Civic Arena and smaller local cultural organizations. This part of the program is quite similar to the Scientific & Cultural Facilities District in the Denver Metro Area. One quarter of the program's revenues are devoted to revenue sharing with municipal governments.

Source of funds. The Regional District is funded by a 1 percent County sales tax.

Revenue-sharing formula. Sales tax revenues are divided three ways: 50 percent are used to support regional cultural and recreational assets, 25 percent go directly to the County government and 25 percent are shared with municipal governments.

The local government pool is shared based on a formula designed to benefit the area's poorer communities. Although all municipalities receive a share of this pool, several of the wealthier communities generate more in sales tax revenues than they receive in revenue-sharing disbursements. Weighted tax revenues are calculated for all municipalities. The revenues in this formula are not the sales tax revenues to be shared but all of the municipally generated taxes. These local tax revenues are divided by the ratio of its per capita property value to the per capita property value of the County as a whole. This formula increases the weighted tax revenues of poor communities (any municipalities with lower-than-average per capita property value) and decreases the weighted tax revenues of wealthy communities (any municipalities with higher-than-average per capita property value). These weighted amounts are then added together to get the countywide weighted total. Each municipality's weighted tax collections are then divided by the countywide weighted total to determine the percentage of the sales tax revenue-sharing pool that the municipality will receive.

All of these shared revenues are used to provide tax relief, not to increase service levels. Local governments use the revenue-sharing funds to eliminate their personal property tax, to reduce their amusement tax to 5 percent or less, and to reduce their property tax mill levies as much as possible.

Size of revenue-sharing pool. The County sales tax generated approximately $144 million in 2000, of which $36 million was distributed to area municipalities.

Participating jurisdictions. Allegheny County and 130 local municipalities that levy property taxes participate in the Regional Asset District.

Year of inception of revenue-sharing program. The Regional Asset District was created in 1993.

Authorization. The Regional Asset District was authorized by Act 77 passed by the Pennsylvania General Assembly in 1993. The Act had three goals: to provide more funding for regional assets, to encourage intergovernmental cooperation and to provide new revenues to local governments. Counties in Pennsylvania can only levy sales tax when authorized by the legislature.

Impetus for revenue-sharing. The reasons for the local government revenue-sharing portion of the program were two-fold. First, there were growing fiscal disparities between the County's wealthier and poorer communities. Second, "many public and private-sector leaders believed that, to be economically competitive, the region needed to address the issue of over-reliance on certain taxes such as those on amusement, events, real property and personal property."[2] Many municipalities in the Pittsburgh area had lost a substantial portion of their tax base when steel mills and associated businesses shut down in the 1980s. In order to continue to provide services to residents, they had to substantially raise local tax rates. These high tax rates discouraged commercial and industrial redevelopment.

Lessons learned. Most of the controversies involving the Regional Asset District have pertained to the regional facilities, including the new football and baseball stadiums, that are funded by the program. The local government revenue-sharing program has worked well, although some municipalities have yet to see significant redevelopment even though their local mill levies have been reduced.

[2] Miller, David. "Fiscal Regionalism: Metropolitan Reform Without Boundary Changes." *Government Finance Review*, December 2000, Page 5.

Virginia's 1st Regional Industrial Facility Authority (Southwestern Virginia). A group of cities, counties and towns in Southwestern Virginia formed Virginia's 1^{st} Regional Industrial Facility Authority under a law passed by the Virginia legislature in 1998.

Source of funds. For the first development project, an industrial park, participants will share revenue generated by a tax on machinery and tools.

Revenue-sharing formula: Members of the authority can decide whether they want to participate in financing each infrastructure development project and receiving a share of the tax revenues. If some members decide not to participate in a particular project, their shares are made available first to all of the other authority members, then to the host jurisdiction, and lastly to outside entities. Tax revenues are shared among participants in a given development project commensurate to their respective shares in the financing of the infrastructure.

Size of revenue-sharing pool. To date, no revenue has been generated or shared between members of the authority because the construction of the first project, an industrial park, is not scheduled to begin until late summer 2001. The Authority anticipates that they expect tenants of the park to have a minimum of $131 million in taxable property, which would generate $4 million annually to be shared among participants.

Participating jurisdictions. Membership in the authority is wholly voluntary, but requires an initial investment of $5,000 per jurisdiction. Each member jurisdiction is granted two representatives, one of whom must be an elected official of that entity. The 15 members of the authority include seven counties, three cities (including Roanoke, with a population of more than 100,000) and five towns. Two potential members declined—the City of Blacksburg and Floyd County. The City chose to center economic development efforts around its own university community; County officials decided to concentrate on existing plans rather than engage in new ventures.

Year of inception of revenue-sharing program. While the Authority was created in December 1998, no revenue-generating projects have been completed to-date. The Authority plans to begin construction of it first project in 2001.

Authorization. In 1998, Virginia enacted legislation that authorized the creation of regional industrial facility authorities to "enhance the economic base for the member localities by developing, owning, and operating one or more facilities on a cooperative basis involving its member localities."

Prior to enactment of this statute, counties had great difficulty entering into development-oriented revenue-sharing agreements, because public referendum was required for counties to issue debt. The new law authorizes jurisdictions to enter into revenue-sharing agreements based on the approval those jurisdictions' respective governing bodies. It also authorized host jurisdictions to remit all receipts from taxes on machinery and tools to members of the authority.

Impetus for revenue-sharing. The early to mid-1990's was a period of economic decline for the communities of this region, during which major employers, such as AT&T and the Defense Department, cut thousands of jobs. Regional Industrial Facility Authorities were seen as an economic development mechanism to attract new employers to the region and enlarge the tax-base for the participating jurisdictions.

Lessons learned. Regional efforts can work if there is a significant amount of cooperation from participating members. In this instance, there was an extensive planning process of monthly meetings that resulted in a strong commitment from each of the participants.

Meadowlands District, New Jersey The State of New Jersey established a commission in 1972 to develop a master land-use plan for the Meadowlands District, which encompasses all or part of 14 separate jurisdictions. Some of these jurisdictions had a great deal of developable land within their boundaries, other municipalities and townships had a high proportion of environmentally sensitive wetlands or attractive potential parklands. Preserving these wetlands, parks and open space areas meant that some municipalities would not benefit from the commercial development in the region. Therefore, the State developed a revenue-sharing program to compensate the jurisdictions that preserved land for non-commercial uses.

Source of funds. The pooled revenues come from the incremental property tax collections above the 1970 baseline throughout the Meadowlands District.

Revenue-sharing formula. Each community retains 60 percent of the incremental revenues above the 1970 baseline level. The remaining 40 percent is put into a revenue-sharing pool. Two types of payments are generated from this pool. The first payment compensates communities for the school pupils living within the Meadowlands district boundaries. This payment is calculated by multiplying the incremental increase in schoolchildren since the base year by a per pupil cost. After the school payments have been made, the remaining revenues are shared among the 14 municipalities based on their proportion of the total land area in the Meadowlands District.

Size of revenue-sharing pool. In 2001, total revenues distributed are expected to exceed $6 million.

Participating jurisdictions. There are 14 municipalities which lie wholly or partially within the boundaries of the Meadowlands District.

Year of inception of revenue-sharing program. The tax sharing program was created in 1972.

Authorization. The tax sharing program was authorized by the Hackensack Meadowlands Development Commission and Redevelopment Act passed by the New Jersey Legislature in 1972.

Impetus for revenue-sharing. The impetus for revenue sharing was to compensate local municipalities for the impacts of land use decisions made by the Meadowlands Development Commission. The Commission's land use plan called for the preservation of wetlands, park land and open space and the creation of public facilities in some areas and lucrative commercial development in others.

Lessons learned. Those we contacted did not cite any specific problems encountered with the implementation of the Meadowlands District tax sharing program. Local municipalities were skeptical about the Commission exercising authority over their land use decisions until they were assured that they would be compensated for the fiscal impacts of those decisions.

Lessons Learned from Other Jurisdictions

Many areas of the country are facing daunting regional housing, transportation, environmental and economic issues. Some analysts advocate the formation of strong regional governments (like Metro in the Portland area and the Twin Cities Council in Minnesota) to tackle these issues. Dr. David Miller, of the University of Pittsburgh argues that revenue-sharing programs he describes as "fiscal regionalism" are a more promising avenue for regional cooperation.

Revenue-sharing agreements are most commonly used to resolve or prevent annexation disputes. Dr. Miller describes these revenue-sharing programs as "peaceful coexistence plans." These are generally two-party agreements between a municipality and a county or two municipalities.

Multi-party regional revenue sharing has generally occurred in places with prosperous, growing suburbs and a central growing (or declining) central city. The Twin Cities Fiscal Disparities program, Montgomery County ED/GE program and the Allegheny Regional Asset District all fit this pattern. While the particulars of these regions fiscal situations are not the same as those in the Rural Resort Region, they do offer some parallels.

Most of the revenue-sharing mechanisms we reviewed involved property and sales taxes. The Jefferson County, Kentucky compact uses business and wage taxes. Business occupation taxes may be a promising revenue stream for the Rural Resort Region.

We think that programs that share incremental tax collections above a designated baseline may be the most promising model for the communities of the Rural Resort Region. Incremental sales and property tax revenues can be shared without voter approval or changes in state law. Although sharing a business/occupation tax would be more difficult (because it would require raising rates in some communities and levying an entirely new tax in others), it may also make sense. Many of the fiscal disparities experienced by mountain communities are caused by people working in one place (where businesses generate property, sales and occupation taxes) and living in another (where property and sales tax collections do not keep pace with the cost of providing services to residents). Exhibit II-1 summarizes the revenue-sharing methods that seem most applicable to the Rural Resort Region.

Exhibit II-1.
Revenue-Sharing Methodologies Most Applicable to the Rural Resort Region

Revenues Contributed to Sharing Pool	*Sales Taxes Shared*	*Property Taxes Shared*	*Business/ Occupation Taxes Shared*
Tax collections generated by additional mills/rate increases			■
Increment of tax collections above current baseline	■	■	■
Negotiated share of tax collections generated by current mills/rates			

Source: BBC Research & Consulting.

SECTION III.
Revenue Sharing in Colorado

Although a wide variety of revenue-sharing agreements are permissible under Colorado law, most revenue-sharing arrangements in Colorado are relatively simple share-back arrangements for County sales taxes collected within municipal borders.

Statutory Authority

Revenue sharing through intergovernmental agreements is authorized by Section 29-20-105-2(h) of the Colorado Revised Statutes. This portion of the statute states: "Local governments may, pursuant to an intergovernmental agreement, provide for revenue-sharing." The statute is silent on the revenue streams that can be shared, the method of sharing or the local governments allowed to participate in the sharing. Given the lack of restrictions in the statute, it appears that in Colorado "if you can collect it, you can share it." Therefore, most of the revenue-sharing methods described in this report would only require an intergovernmental agreement to be implemented.

If incremental revenues, not tax increases, are used to fund the revenue-sharing pool, voter approval is not required. The one revenue stream that may require voter approval is occupation taxes. In order to generate a significant amount of money to share, participating jurisdictions may need to raise their occupation tax rates. Other mountain communities will have to institute occupation taxes for the first time.

County Sales Tax Sharing

In Colorado, the most common form of revenue sharing occurs between counties and municipalities. There are many reasons why counties agree to share a portion of the county sales taxes generated within the boundaries of cities and towns. In some cases, the share-back system allows for a uniform sales tax level countywide. In other instances, counties levied sales taxes for debt service on particular facilities that primarily serve residents of the unincorporated county. Sharing sales tax revenues was a way to make the tax burden on town residents match their reliance on the financed facilities.

County sales tax sharing is quite common in Colorado: the state Department of Revenue administers municipal allocations for nineteen counties. Other counties handle their own share-back systems with towns and cities.

Counties use a variety of approaches to determine how much of their sales tax collections to share. Frequently, counties share some percentage of tax revenue collected within municipal boundaries with the given municipality. Under this type of arrangement, municipalities may receive as little as 15 percent or as much as 100 percent of the county sales taxes generated within their boundaries. Some distributions are based on allocating a fixed percentage of all county receipts, while other counties vary their municipal distributions based on other factors, such as auto registrations.

The Department of Revenue administers sales tax sharing for four of the five counties in the Rural Resort Region (Eagle, Lake, Pitkin and Summit). These counties use a variety of methods to determine the amount of revenue to allocate to municipalities. Exhibit III-1 summarizes these formulas. Garfield County conducts its own small share-back program with local municipalities. However, detailed information on Garfield County's distribution was not readily available.

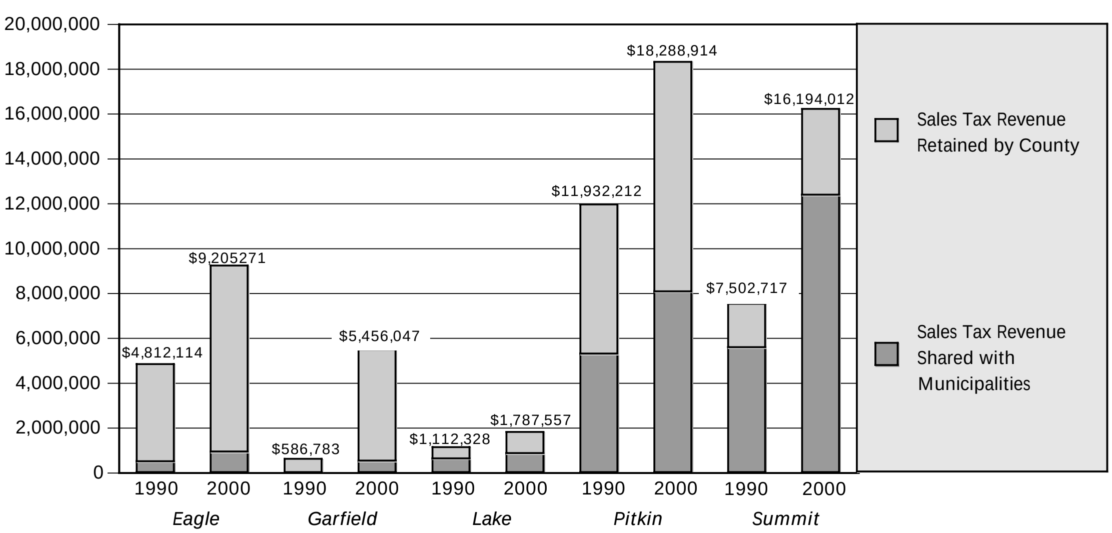
Exhibit III-1.
Rural Resort Region Counties' Sales Tax Revenue Distribution Formulas

County	*Formula for Sharing County Sales Tax Revenue*
Eagle	County retains 85% of all county sales tax receipts for sales in incorporated areas; 15% is allocated to the municipality where the sale occurred. There are seven municipalities in Eagle County that receive these County sales tax revenues.
Lake	County provides 100% of county sales tax receipts generated within City of Leadville to the City government. Leadville is the only incorporated municipality in Lake County.
Pitkin	Pitkin County imposes a 3% sales tax for general revenue. Of the revenue collected from the first 2%, the County retains 43% and distributes 57% to municipalities as follows: Aspen – 43.617%, Basalt – 1.320%, Snowmass Village – 12.063%. Revenues generated from the final 1% flow to the County, except for collections in Snowmass Village which are allocated to the municipality.
Summit	County distributes 100% of tax collections generated by sales occurring within incorporated areas to the municipality where the sale occurred. There are six municipalities in Summit County that receive revenue.
Garfield	Garfield County levies a 1% sales tax, consisting of an initial .25% tax (imposed in 1983) and .75% increase that took effect in 1997. 15 percent of the .75% tax (or 11.25% of all sales tax receipts) is distributed to the six municipalities within Garfield County based on their relative populations.

Source: BBC Research & Consulting from County data.

Exhibits III-2 summarizes the sales tax revenues retained by the counties and those distributed to the municipalities where the sales occurred. Exhibit III-3 presents detailed information about the amount of shared county sales tax revenue that flowed to each municipality in 1990 and 2000.

Exhibit III-2.
County Sales Tax Sharing in Rural Resort Region, 1990 and 2000



Source: BBC Research & Consulting from Colorado Department of Revenue data and Garfield County data.

Exhibit III-3.
Municipal Allocations of County Sales Tax Collections, 1990 and 2000

Note:

(1) Amounts do not sum to total because of rounding.

Source:
BBC Research & Consulting from Colorado Department of Revenue data and Garfield County data.

County/Municipality	*1990 Sales Tax Revenues*	*2000 Sales Tax Revenues*
Eagle (1)	*$4,182,100*	*$9,205,300*
Retained by county	$3,702,000	$8,291,000
Shared with…		
Avon	$65,300	$176,900
Basalt	$13,400	$68,400
Eagle	$22,100	$87,900
Gypsum	$3,600	$56,100
Minturn	$9,300	$20,200
Redcliff	$600	$800
Vail	$366,100	$504,000
Garfield	*$685,800*	*$5,456,000*
Retained by county	$685,800	$4,841,700
Shared with…		
Carbondale		$120,600
Glenwood		$177,200
New Castle		$61,300
Parachute		$51,300
Rifle		$144,400
Silt		$59,500
Lake (1)	*$1,122,300*	*$1,787,600*
Retained by county	$509,700	$942,400
Shared with…		
Leadville	$612,600	$845,100
Pitkin (1)	*$11,932,200*	*$18,288,900*
Retained by county	$6,649,200	$10,233,600
Shared with…		
Aspen	$3,511,000	$5,305,600
Basalt	$20,300	$124,600
Snowmass Village	$1,751,700	$2,625,200
Summit (1)	*$7,502,700*	*$16,194,000*
Retained by county	$1,938,500	$3,826,700
Shared with…		
Blue River	$14,800	$28,000
Breckenridge	$2,532,900	$4,605,100
Dillon	$399,700	$1,571,400
Frisco	$1,274,300	$3,034,500
Montezuma	$500	$9,000
Silverthorne	$1,342,100	$3,119,300

Inter-Municipal Revenue-Sharing Agreements

So far, inter-municipal revenue-sharing programs in Colorado have been limited to two-party agreements designed to prevent annexation battles, the type of programs Dr. Miller calls "peaceful coexistence plans." The cities of Thornton and Westminster have an intergovernmental agreement to share sales, use and property tax revenues generated within a designated I-25 Corridor Growth Area. Thornton also has a similar agreement with Broomfield regarding development in the I-25 corridor. The City of Louisville and the Town of Superior have an intergovernmental agreement to share sales tax revenues from an area in the Highway 36 corridor. Each community de-annexed land that was more logically served by the other municipality. These areas were then annexed by the other government with the agreement that all sales taxes generated in both areas would be split equally between the municipalities.

Brief descriptions of the Thornton-Westminster and Louisville-Superior arrangement are presented on the following pages.

City of Louisville and Town of Superior

Source of funds. Revenue generated by sales tax receipts from retail sales at business located in areas designated as the "North Property" and the "South Property."

Revenue-sharing formula. Louisville and Superior will share 50 percent of all local sales tax revenue generated at these locations.

Size of revenue-sharing pool. The areas that are subject to the revenue-sharing agreement have not yet been developed. Therefore, no sales tax revenue has been generated.

Participating jurisdictions. The City of Louisville and the Town of Superior, Colorado

Year of inception of revenue-sharing program. Louisville and Superior entered into the intergovernmental agreement establishing revenue sharing in 1997.

Authorization. Colorado statutory law authorizes intergovernmental cooperation and the sharing of revenues for which local governments are authorized to collect.

Impetus for revenue-sharing. The revenue-sharing agreement was part of a larger de-annexation/annexation agreement between the two municipalities that was entered into in order to create a more logical and contiguous pattern of jurisdictional control over land use decision-making.

City of Thornton and City of Westminster

Source of funds. Under this agreement, sales and property tax revenue generated in the Interstate 25 Corridor Growth Area will be shared between the participants.

Revenue-sharing formula. For sales tax revenue, the city where the sale occurred will retain one-third of all receipts. The remaining two-thirds of sales tax revenue will be divided between the two cities based on their respective sales tax rates. This percentage allocation is determined by dividing each city's tax rate by the sum of their combined tax rate.

Property tax revenues will be shared in a similar fashion. Each municipality will receive a percentage share of the total property tax receipts for the Corridor area equal to its contribution to the sum of the mill levies for the two municipalities.

Size of revenue-sharing pool. The area that is subject to the revenue sharing agreement has not yet been developed. Therefore, no sales tax revenue has been generated.

Participating jurisdictions. The City of Thornton and the City of Westminster, Colorado

Year of inception of revenue-sharing program. The first revenue-sharing agreement between Thornton and Westminster was reached in 1986. This arrangement was revised and updated in 2000.

Authorization. Colorado statutory law authorizes intergovernmental cooperation and the sharing of revenues for which local governments are authorized to collect.

Impetus for revenue-sharing. These two municipalities entered into a revenue-sharing agreement in order to encourage cooperation in land use planning and decision-making regarding the land in the Interstate 25 corridor. In addition, as part of the agreement, the two municipalities will each adopt a joint development plan that guides the orderly development of the corridor and ensures consistency between the two governments.

Appendix A.
Background Data

The four following exhibits summarize the tax revenues and tax bases of Rural Resort Region counties and municipalities in 1990 and 1999. As the population in the region grew, so did the fiscal disparities between jurisdictions.

Exhibit A-1.
1990 Fiscal Comparison: Alphabetical Order

	Tax Revenues (millions)	Total Revenues (millions)	Assessed Valuation (millions)	Retail Sales (millions)	Population	Per Capita Tax Revenues	Per Capita Total Revenues	Per Capita A.V.	Per Capita Retail Sales
County									
Eagle	$9.453	$16.354	$567.392	$589.557	21,928	$430	$750	$25,880	$26,890
Garfield	$4.788	$12.528	$280.997	$523.971	29,974	$160	$420	$9,370	$17,480
Lake	$3.167	$5.242	$81.052	$44.940	6,007	$530	$870	$13,490	$7,480
Pitkin	$10.940	$15.980	$514.118	$477.433	12,661	$860	$1,260	$40,610	$37,710
Summit	$7.518	$12.909	$420.743	$468.795	12,881	$580	$1,000	$32,660	$36,390
Municipality									
Aspen	$10.101	$19.192	$221.364	$294.226	5,049	$2,000	$3,800	$43,840	$58,270
Avon	$3.691	$5.067	$35.344	$66.431	1,798	$2,050	$2,820	$19,660	$36,950
Basalt	$0.514	$0.815	$8.990	$17.137	1,128	$460	$720	$7,970	$15,190
Blue River	$0.153	$0.202	$10.689	$0.000	440	$350	$460	$24,290	$0
Breckenridge	$7.164	$9.994	$96.594	$140.728	1,285	$5,580	$7,780	$75,170	$109,520
Carbondale	$1.042	$1.902	$16.256	$42.784	3,004	$350	$630	$5,410	$14,240
Dillon	$1.034	$1.520	$20.751	$25.172	553	$1,870	$2,750	$37,520	$45,520
Eagle	$0.655	$0.995	$11.325	$27.913	1,580	$410	$630	$7,170	$17,670
Frisco	$2.777	$3.384	$39.787	$83.059	1,601	$1,730	$2,110	$24,850	$51,880
Glenwood Springs	$5.090	$6.782	$68.241	$319.635	6,561	$780	$1,030	$10,400	$48,720
Gypsum	$0.204	$0.382	$5.675	$4.307	1,750	$120	$220	$3,240	$2,460
Leadville	$0.902	$1.418	$10.351	$19.786	2,629	$340	$540	$3,940	$7,530
Minturn	$0.399	$0.595	$4.776	$10.083	1,066	$370	$560	$4,480	$9,460
Montezuma	$0.002	$0.008	$0.487	$0.000	60	$30	$130	$8,120	$0
New Castle	$0.080	$0.188	$2.324	$3.405	679	$120	$280	$3,420	$5,010
Parachute	$0.193	$0.361	$4.201	$5.842	658	$290	$550	$6,380	$8,880
Red Cliff	$0.064	$0.092	$0.812	$0.569	297	$220	$310	$2,730	$1,920
Rifle	$1.172	$2.217	$29.425	$67.453	4,636	$250	$480	$6,350	$14,550
Silt	$0.179	$0.399	$2.982	$5.913	1,095	$160	$360	$2,720	$5,400
Silverthorne	$2.807	$3.221	$26.276	$95.233	1,768	$1,590	$1,820	$14,860	$53,860
Snowmass Village	$3.953	$5.795	$119.072	$79.297	1,449	$2,730	$4,000	$82,180	$54,730
Vail	$16.839	$23.055	$283.235	$303.747	3,659	$4,600	$6,300	$77,410	$83,010

Source: BBC Research & Consulting from Colorado Department of Revenue data.

Exhibit A-2.
1990 Fiscal Comparison: Arranged by Total Tax Revenues

	Tax Revenues (millions)	*Total Revenues (millions)*	*Assessed Valuation (millions)*	*Retail Sales (millions)*	*Population*	*Per Capita Tax Revenues*	*Per Capita Total Revenues*	*Per Capita A.V.*	*Per Capita Retail Sales*	*Per Capita A.V. Ratio*	*Per Capita Retail Sales Ratio*
County											
Lake	$3.167	$5.242	$81.052	$44.940	6,007	$530	$870	$13,490	$7,480	1.44	1
Garfield	$4.788	$12.528	$280.997	$523.971	29,974	$160	$420	$9,370	$17,480	1	2.34
Eagle	$9.453	$16.354	$567.392	$589.557	21,928	$430	$750	$25,880	$26,890	2.76	3.59
Summit	$7.518	$12.909	$420.743	$468.795	12,881	$580	$1,000	$32,660	$36,390	3.49	4.86
Pitkin	$10.940	$15.980	$514.118	$477.433	12,661	$860	$1,260	$40,610	$37,710	4.33	5.04
Municipality											
Montezuma	$0.002	$0.008	$0.487	$0.000	60	$30	$130	$8,120	$0	2.99	N.A.
Red Cliff	$0.064	$0.092	$0.812	$0.569	297	$220	$310	$2,730	$1,920	1	1
New Castle	$0.080	$0.188	$2.324	$3.405	679	$120	$280	$3,420	$5,010	1.26	2.61
Blue River	$0.153	$0.202	$10.689	$0.000	440	$350	$460	$24,290	$0	8.93	N.A.
Silt	$0.179	$0.399	$2.982	$5.913	1,095	$160	$360	$2,720	$5,400	1	2.81
Parachute	$0.193	$0.361	$4.201	$5.842	658	$290	$550	$6,380	$8,880	2.35	4.63
Gypsum	$0.204	$0.382	$5.675	$4.307	1,750	$120	$220	$3,240	$2,460	1.19	1.28
Minturn	$0.399	$0.595	$4.776	$10.083	1,066	$370	$560	$4,480	$9,460	1.65	4.93
Basalt	$0.514	$0.815	$8.990	$17.137	1,128	$460	$720	$7,970	$15,190	2.93	7.91
Eagle	$0.655	$0.995	$11.325	$27.913	1,580	$410	$630	$7,170	$17,670	2.64	9.2
Leadville	$0.902	$1.418	$10.351	$19.786	2,629	$340	$540	$3,940	$7,530	1.45	3.92
Dillon	$1.034	$1.520	$20.751	$25.172	553	$1,870	$2,750	$37,520	$45,520	13.79	23.71
Carbondale	$1.042	$1.902	$16.256	$42.784	3,004	$350	$630	$5,410	$14,240	1.99	7.42
Rifle	$1.172	$2.217	$29.425	$67.453	4,636	$250	$480	$6,350	$14,550	2.33	7.58
Frisco	$2.777	$3.384	$39.787	$83.059	1,601	$1,730	$2,110	$24,850	$51,880	9.14	27.02
Silverthorne	$2.807	$3.221	$26.276	$95.233	1,768	$1,590	$1,820	$14,860	$53,860	5.46	28.05
Avon	$3.691	$5.067	$35.344	$66.431	1,798	$2,050	$2,820	$19,660	$36,950	7.23	19.24
Snowmass Village	$3.953	$5.795	$119.072	$79.297	1,449	$2,730	$4,000	$82,180	$54,730	30.21	28.51
Glenwood Springs	$5.090	$6.782	$68.241	$319.635	6,561	$780	$1,030	$10,400	$48,720	3.82	25.38
Breckenridge	$7.164	$9.994	$96.594	$140.728	1,285	$5,580	$7,780	$75,170	$109,520	27.64	57.04
Aspen	$10.101	$19.192	$221.364	$294.226	5,049	$2,000	$3,800	$43,840	$58,270	16.12	30.35
Vail	$16.839	$23.055	$283.235	$303.747	3,659	$4,600	$6,300	$77,410	$83,010	28.46	43.23

Source: BBC Research & Consulting from Colorado Department of Revenue data.

Exhibit A-3.
1999 Fiscal Comparison: Alphabetical Order

	Tax Revenues (millions)	Total Revenues (millions)	Assessed Valuation (millions)	Retail Sales (millions)	Population	Per Capita Tax Revenues	Per Capita Total Revenues	Per Capita A.V.	Per Capita Retail Sales
County									
Eagle	$23.186	$41.617	$1,336.004	$1,325.593	35,522	$650	$1,170	$37,610	$37,320
Garfield	$11.248	$27.043	$496.649	$1,021.200	41,796	$270	$650	$11,880	$24,430
Lake	$3.271	$6.642	$55.704	$70.073	8,393	$390	$790	$6,640	$8,350
Pitkin	$21.442	$35.603	$1,107.431	$804.983	14,341	$1,500	$2,480	$77,220	$56,130
Summit	$16.450	$30.608	$717.317	$983.982	20,435	$800	$1,500	$35,100	$48,150
Municipality									
Aspen	$20.429	$29.905	$468.315	$518.960	5,750	$3,550	$5,200	$81,450	$90,250
Avon	$9.639	$14.184	$99.690	$211.703	3,027	$3,180	$4,690	$32,930	$69,940
Basalt	$2.114	$3.836	$55.129	$99.723	2,551	$830	$1,500	$21,610	$39,090
Blue River	$0.282	$0.381	$18.912	$0.000	675	$420	$560	$28,020	$0
Breckenridge	$15.961	$21.141	$160.572	$258.702	2,014	$7,930	$10,500	$79,730	$128,450
Carbondale	$2.944	$4.886	$47.758	$100.787	5,346	$550	$910	$8,930	$18,850
Dillon	$2.976	$3.665	$34.193	$86.053	744	$4,000	$4,930	$45,960	$115,660
Eagle	$2.312	$3.582	$37.638	$86.456	2,604	$890	$1,380	$14,450	$33,200
Frisco	$6.732	$8.074	$74.948	$168.026	2,881	$2,340	$2,800	$26,010	$58,320
Glenwood Springs	$10.097	$15.218	$102.919	$603.648	8,288	$1,220	$1,840	$12,420	$72,830
Gypsum	$1.909	$3.363	$37.910	$82.069	3,146	$610	$1,070	$12,050	$26,090
Leadville	$1.214	$2.187	$14.471	$33.933	3,437	$350	$640	$4,210	$9,870
Minturn	$0.749	$1.225	$11.282	$22.838	1,199	$620	$1,020	$9,410	$19,050
Montezuma	$0.009	$0.026	$0.722	$0.000	73	$120	$360	$9,890	$0
New Castle	$0.496	$1.258	$12.567	$27.975	1,879	$260	$670	$6,690	$14,890
Parachute	$0.371	$0.567	$4.167	$7.902	1,161	$320	$490	$3,590	$6,810
Red Cliff	$0.106	$0.160	$1.457	$0.505	307	$350	$520	$4,750	$1,640
Rifle	$2.251	$4.519	$38.603	$124.429	6,641	$340	$680	$5,810	$18,740
Silt	$0.517	$1.255	$7.727	$11.839	1,667	$310	$750	$4,640	$7,100
Silverthorne	$5.838	$9.461	$58.495	$238.342	3,213	$1,820	$2,940	$18,210	$74,180
Snowmass Village	$7.627	$13.045	$222.924	$115.990	1,669	$4,570	$7,820	$133,570	$69,500
Vail	$22.297	$33.312	$457.269	$423.098	4,341	$5,140	$7,670	$105,340	$97,470

Source: BBC Research & Consulting from Colorado Department of Revenue data.

Exhibit A-4.
1999 Fiscal Comparison: Arranged by Total Tax Revenues

	Tax Revenues (millions)	*Total Revenues (millions)*	*Assessed Valuation (millions)*	*Retail Sales (millions)*	*Population*	*Per Capita Tax Revenues*	*Per Capita Total Revenues*	*Per Capita A.V.*	*Per Capita Retail Sales*	*Per Capita A.V. Ratio*	*Per Capita Retail Sales Ratio*
County											
Lake	$3.271	$6.642	$55.704	$70.073	8,393	$390	$790	$6,640	$8,350	1	1
Garfield	$11.248	$27.043	$496.649	$1,021.200	41,796	$270	$650	$11,880	$24,430	1.79	2.93
Eagle	$23.186	$41.617	$1,336.004	$1,325.593	35,522	$650	$1,170	$37,610	$37,320	5.66	4.47
Summit	$16.450	$30.608	$717.317	$983.982	20,435	$800	$1,500	$35,100	$48,150	5.29	5.77
Pitkin	$21.442	$35.603	$1,107.431	$804.983	14,341	$1,500	$2,480	$77,220	$56,130	11.63	6.72
Municipality											
Montezuma	$0.009	$0.026	$0.722	$0.000	73	$120	$360	$9,890	$0	2.75	N.A.
Red Cliff	$0.106	$0.160	$1.457	$0.505	307	$350	$520	$4,750	$1,640	1.32	1
Blue River	$0.282	$0.381	$18.912	$0.000	675	$420	$560	$28,020	$0	7.81	N.A.
Parachute	$0.371	$0.567	$4.167	$7.902	1,161	$320	$490	$3,590	$6,810	1	4.15
New Castle	$0.496	$1.258	$12.567	$27.975	1,879	$260	$670	$6,690	$14,890	1.86	9.08
Silt	$0.517	$1.255	$7.727	$11.839	1,667	$310	$750	$4,640	$7,100	1.29	4.33
Minturn	$0.749	$1.225	$11.282	$22.838	1,199	$620	$1,020	$9,410	$19,050	2.62	11.62
Leadville	$1.214	$2.187	$14.471	$33.933	3,437	$350	$640	$4,210	$9,870	1.17	6.02
Gypsum	$1.909	$3.363	$37.910	$82.069	3,146	$610	$1,070	$12,050	$26,090	3.36	15.91
Basalt	$2.114	$3.836	$55.129	$99.723	2,551	$830	$1,500	$21,610	$39,090	6.02	23.84
Rifle	$2.251	$4.519	$38.603	$124.429	6,641	$340	$680	$5,810	$18,740	1.62	11.43
Eagle	$2.312	$3.582	$37.638	$86.456	2,604	$890	$1,380	$14,450	$33,200	4.03	20.24
Carbondale	$2.944	$4.886	$47.758	$100.787	5,346	$550	$910	$8,930	$18,850	2.49	11.49
Dillon	$2.976	$3.665	$34.193	$86.053	744	$4,000	$4,930	$45,960	$115,660	12.8	70.52
Silverthorne	$5.838	$9.461	$58.495	$238.342	3,213	$1,820	$2,940	$18,210	$74,180	5.07	45.23
Frisco	$6.732	$8.074	$74.948	$168.026	2,881	$2,340	$2,800	$26,010	$58,320	7.25	35.56
Snowmass Village	$7.627	$13.045	$222.924	$115.990	1,669	$4,570	$7,820	$133,570	$69,500	37.21	42.38
Avon	$9.639	$14.184	$99.690	$211.703	3,027	$3,180	$4,690	$32,930	$69,940	9.17	42.65
Glenwood Springs	$10.097	$15.218	$102.919	$603.648	8,288	$1,220	$1,840	$12,420	$72,830	3.46	44.41
Breckenridge	$15.961	$21.141	$160.572	$258.702	2,014	$7,930	$10,500	$79,730	$128,450	22.21	78.32
Aspen	$20.429	$29.905	$468.315	$518.960	5,750	$3,550	$5,200	$81,450	$90,250	22.69	55.03
Vail	$22.297	$33.312	$457.269	$423.098	4,341	$5,140	$7,670	$105,340	$97,470	29.34	59.43

Source: BBC Research & Consulting from Colorado Department of Revenue data.