Background

Cities are the economic engine of the state. Economic growth is intentional and when it occurs, it is financed largely through city taxes for police, fire, streets, water and sewer, schools, parks, libraries and other amenities that attract and retain businesses and make our communities desirable places for people to live and visit. Thus, city taxpayers finance the costs of infrastructure, services and amenities responsible for much of the state's economic output through their city taxes. As a result, any measurable economic growth is accompanied by an increased local tax burden borne by city residents.

The State recognized this fact in 1947, when the state began sharing 4.6% of each year's total state sales tax collections with cities. This was done for the purposes of recognizing the collective contribution of cities as the state's economic engine and acknowledging that city residents incur a local tax burden that is directly attributable to financing, developing and maintaining an economic environment that continues to generate a healthy portion of the sales tax revenues accruing to the state.

Today, 92% of the state's total sales tax collections are generated within city limits. Thus, this sharing amounts to a practice of returning to cities a small portion of the state's sales tax revenues in order to reduce the local tax burden. A burden that is borne by city taxpayers and that is directly associated with keeping the state's economic engine running.

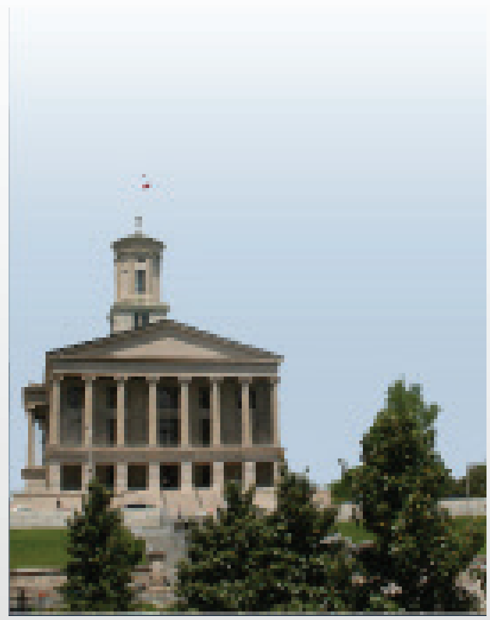
In 2002, the state was confronting serious fiscal challeges and increased the sales tax rate from 6% to 7%. The revenues associated with this 1% increase in the state sales tax rate accrue entirely to the state's general fund, precluding cities from sharing in this increase and altering the historical relationship.

As a result of this change to the sharing relationship, municipalities only receive a share of the state sales tax generated by 5.5% of the state sales tax rate rather than the full 7%.

Remedy

Reverse the action taken nearly 20 years ago that allowed the state to amass more sales tax revenues and avert a deeper fiscal crisis by restoring the sharing relationship and allowing cities to share in 100% of the state sales tax revenues flowing to the state's general fund.

The returned revenue would provide relief to local taxpayers, allow local governments to meet funding demands that are necessary to maintain vital infrastructure, provide essential services to our citizens, fuel economic expansion, and afford the quality of life that has allowed this state to prosper



Problem

For 50 years, the state continued the sharing relationship first established in 1947, by returning 4.6% of the state's total annual sales tax revenues to cities. But that changed in the early 2000's, when the state elected to address its budget shortfall by altering this relationship; thereby, retaining more sales tax revenues for itself.

Nineteen years later, the state is enjoying fiscal prosperity and the threat of a fiscal crisis is a distant memory. Yet, this austerity measure remains in place. Precluding cities from sharing in this rate increase has reduced the effective share of the sales tax revenues provided cities from 4.6% to 3.6% of total state sales tax revenues. If one were to isolate only the effects of the state's decision to keep 100% of the revenues associated with the increase in the state's sales tax rate from 6% to 7%, then one would find that cities have been denied $835 million in shared revenues since its adoption.