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CHAPTER TEN

FISCAL FEDERALISM IN NIGERIA: AN ASSESSMENT OF REVENUE ALLOCATION, 1946-2016

By

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Introduction

Although the question of how to acquire, increase, allocate and expend revenue has constituted an issue in Nigeria before and after the amalgamation of the Northern and Southern protectorates in 1914. It was from 1946 that the issue of revenue sharing began to raise serious national concern since there was a fusion of fiscal operation in the country following the introduction of the Richard Constitution, which provided for a Legislative Council for the whole country and Regional Councils with some measures of devolution. Consequently, various revenue allocation commissions were constituted at different times to examine the issue of revenue sharing among the central government, the regions and the local councils (Onwioduokit, 2002).

Among the commissions were the Phillipson Commission (1946), the Hick-Phillipson Commission (1951), Louis Chick Commission (1953), Jeremy Raisman Commission (1958), Binns Commission (1964), Dina Commission (1968), Aboyade Commission (1977), Okigbo Commission (1980) and Danjuma Fiscal Commission of 1989. These commissions have recommended and adopted diverse revenue sharing formulae, such as derivation, even development, need, national interest, independent revenue, land mass, continuity of government services, financial comparability, population, equality of states, minimum standard, equality of access to development opportunities, absorptive capacity, etc (Kachikwu, 1989).

It should be noted that in the First Republic (1960-1966), there were three, later four regions, namely: the Northern, Eastern, Western and Mid-Western Regions. The main economic products of the North were cotton, groundnuts, hides and skin. In the East were oil palm, kernel and timber. The West had cocoa and rubber while the Mid-West had timber. These primary products were largely exported to Britain for industrial use. During the era, the dominant principle for revenue allocation was the derivation. Thus, a sizeable amount of the revenue that was obtained in each region was allocated based mainly on the principle. Although some regions benefited more than others under the criterion, the major actors were satisfied with it. This position changed in the late 1960s, when crude oil, found in the Niger Delta region (a minority area), became a principal revenue earner. The scenario has occasioned the adoption of some of the criteria such as population and land mass in the sharing of revenue, while the principle of derivation has been relegated to the background.

This unhealthy development has been followed by many unjust related economic policies particularly the dichotomy between on-shore and off-shore oil. Moreover, agricultural production has been de-emphasised by the respective tiers of government, making Nigeria a mono-crop economy that relies primarily on crude oil export. The situation has generated strong and persistent call for the restructuring of the country to accommodate resource control.

The concept of fiscal federalism

There are certain key concepts and terms that need clarification for two reasons; first, the concepts or terms may be subject to multiple interpretations; secondly, understanding the clarifications made would place the reader on a better pedestal to appreciate the focus of the discourse. The terms under reference are: fiscal federalism and revenue allocation.

Some scholars, for example, Taiwo (1994), regard fiscal federalism as a variant of federalism in itself. But before the need for fiscal federalism arises, the federating units must have already existed with some form of orientation, formal or informal. Therefore, fiscal federalism may best be conceived as a consequence of some form of voluntary association involving certain division of responsibilities, functions, powers and authority. Whatever the character of this division, it carries serious implications for resource allocation, if the responsibilities and functions, powers and authority allotted must be executed and exercised. The political decentralisation of socio-economic responsibilities gives rise to a number of interesting relational and fiscal issues. Decentralised systems of government give rise to a set of fiscal exigencies. In this view, fiscal federalism is a feature of a "decentralised unitary state" as it is of a federation (Agiobenebo, 2003).

From the above idea, fiscal federalism refers to the principles by which the fiscal exigencies and inter-governmental fiscal relations arising from the political decentralisation of public sector function and responsibilities are resolved. That is, fiscal federalism refers to the allocation of resources among the tiers and units of government and institutions for the discharge of responsibilities and functions assigned to each jurisdictional authority. Thus, inter-governmental fiscal relations are in two dimensions, namely: vertical and horizontal. The allocation of resources may be accompanied by one or a combination of two ways. The first one is the distribution of the means of mobilisation, taxes or whatever. The other is by transfer of resources from one tier or unit of government to another from common sources (the Federation Account) or for services, benefits or advantages (Agiobenebo, 2003).

Uwatt and Umoh (2003) opine that one feature of a federal system of government is fiscal federalism. This refers to disposition of tax powers, retention of revenue and method for sharing centrally collected revenue in accordance with the constitutional responsibilities of all the levels of government. Ideally, fiscal federalism consists of three different elements, namely: the assignment of responsibilities and functions to the different tiers of government, the assignment of tax powers and the allocation of the centrally collected revenue to the various tiers of government.

According to Okigbo (1965), fiscal federalism refers to the existence in one country of more than one level of government, each with different expenditure responsibilities and taxing powers. Thus, under fiscal federalism, one is subject to the influence of the fiscal operations of different tiers of government. It is the division of fiscal powers between or among sovereign levels of government in a federation (Herber, 1979). This is akin to what Broadway (1979) refers to as economies of multilevel or systems of government, when he noted that the public sector is stratified into more than one level of government, each having a different set of expenditure responsibilities.

Taiwo (1999) views fiscal federalism as a variant of federalism in itself. But before the need for fiscal federalism arises, the federating units must have already existed with some form of orientation, formal or informal; consequence of some form of voluntary association involving certain division of responsibilities, functions, powers and authority.

Ekpo (2003) defines fiscal federalism as the principle by which relations arising from the political decentralisation of public sector functions and responsibilities are resolved. It refers to the allocation of resources among the tiers and units of government and institutions for the discharge of responsibilities and functions assigned to each jurisdictional authority. The nature and conditions of the financial relations in any federal system are crucial to the continual existence of such a system. Fiscal matters transcend the purview of economics. They have, in most cases, especially in plural societies, assumed political, religious and social dimensions.

Revenue allocation

Since fiscal federalism refers to tax and revenue sharing arrangements among tiers and units of government, revenue allocation is the practical means of allocating resources (in the form of funds, revenue), hopefully by means of some agreed formula derived from some accepted principles. General principles of fiscal federalism as well as peculiar formulae have been evolved and adopted to suit the miscellany of Nigeria's historical circumstances. Some of them include diversity, equivalence, centralised stabilisation, correction of spillover effects, minimum standard, equalisation, efficiency, derivation, locational neutrality and centralised redistribution. Because these principles are not all mutually consistent, they are difficult to adhere to simultaneously. Some of them conflict, entailing trade-offs. For example, the principle of diversity may conflict with that of locational neutrality. Also, the principle of equalisation of fiscal position, in an attempt to achieve horizontal equity, may conflict with the efficiency criterion because of the distinctive effects of the former on labour mobility and productivity (Agiobenebo, 2003).

Revenue allocation is a very important issue and constitutes the core of all fiscal relations in any federal system. It is a constitutional issue and each of the Nigerian constitutions delineated the functions to be performed by each tier of government. Sixteen revenue sharing principles (twelve "equity" and four "efficiency" principles) have been used in revenue allocation in Nigeria. "Equity" is used synonymously with equality or as resulting from "equal treatment" or "equal share". A

state is considered more "efficient" than another if it spends proportionally less than another state or collects the same amount of revenue from the same revenue base but achieves faster growth than another state at the same level of income.

Background to the evolution of revenue allocation in Nigeria

If any document can be said to have laid the foundation for the evolution of the Nigerian state as well as formed the antecedent of Nigerian federalism, it is the Selborne Report of 1898, following the signing of the Niger Convention of 1898, which settled outstanding territorial differences between Britain and France in West Africa. The enormous territory that was already being referred to informally as Nigeria came under the uncontested sphere of British influence. Except for the Lagos Colony, the Lagos Protectorate, the Niger Coast Protectorate and the Royal Niger Company's territories, the rest of the country was yet to be effectively occupied. But before effective occupation, it became imperative to consolidate the West African Frontier Force which was formed not long before then, especially since the Charter of the Royal Company would soon be revoked (Uzoigwe, 1996).

The committee recommended that the Colony and Protectorate of Lagos, the Niger Coast Protectorate and the territory administered by the Royal Niger Company should eventually be amalgamated under one head, to be called, a Governor-General, who would be resident in Nigeria. But for reasons of climate, health and poor communication, the appointment of Provincial Governors under the superintendence of the Colonial Office in London was recommended.

Another critical issue handled by the Commission related to the economy. Uzoigwe recalls thus:

> ...a Custom Union for the three Provinces of Nigeria was recommended. It was advised that in the first instance, the existing Lagos tariff should be universally adopted with respect to internal ports of entry on the West, North and East. It was also recommended that only the port of entry should be on the coast and that customs receipt must be divided according to the budget requirements of the Provinces. This was the beginning of the revenue allocations in Nigeria according to need. Since the Sudan (North) Province had no seaport and could therefore not generate any revenue from customs receipts, it was the responsibility of the other Provinces to sustain it. The policy of the South sustaining the North economically has also become a sacred principle of Nigerian federalism. Interestingly enough, direct taxation was discouraged (Britain officials sobered perhaps by the "Hut Tax War" in Sierra Leone at the close of the 19th century) (Uzoigwe, 1996: 3).

After the Selborne era, further "imperialistic engineering" resulted in the amalgamation of the Northern and Southern Protectorates with the Selborne Report as

government. Since the government was unitary, it was the duty of the central government to decide what proportion of the "non-declared" revenues that should be shared yearly to the regions (Iyoho, 2006).

For the share of the regions out of non-declared revenues, the Commission considered three principles: derivation, even progress and population. Under the principle of derivation, the grant from central revenues would be related to the contributions made by the regions; thus, an effort would be made to inculcate a measure of financial autonomy in each unit. There was, however, the danger that the adoption of derivation might mean the permanent backwardness of some areas as poorer regions would invariably receive less than richer regions. To avert this danger, the Commission tempered the allocation of revenue by suggesting the principle of even progress, under which relatively poor regions would receive somewhat more than their proportionate share of central revenue, but greater weight should be given to the principle of derivation. The sharing formula was that 50 percent of revenue was to be retained by the regions, 35 percent to be shared among the regions, including the region of origin of revenue, while the central government had 15 percent (Kachikwu, 1989; Iyoho, 2006).

It proved very difficult to use the Phillipson formula to obtain accurate figures on which to base revenue allocation. Apart from erroneous assumption made by officials, there were few statistical tools available. Moreover, allocation always made before the beginning of the year to which it applied and ideal percentage could not represent the derivation of revenues in that year, which would not be known in advance. The difficulties that arose in the implementation of the Phillipson formula made the North to argue that the revenue accrued to it had been shared to the East, while the East and West insisted that the North had received unjustifiably large allocation. The argument was brought to the Constitutional Conference in Ibadan in 1950. The Northern delegates argued for the distribution of central revenue to the regions on a per capita basis, those from the West called for the strict adoption of the principle of derivation because of its overwhelming contribution to such revenue, while the Eastern delegates pleaded for the principle of need which was more beneficial to the region.

The Hicks-Phillipson Commission, 1951

In 1947, soon after the adoption of the Phillipson Report, Sir Arthur Richards was replaced as Governor of Nigeria by Sir John Macpherson, who embarked on constitutional reforms which culminated in the Macpherson Constitution of 1952. There, therefore, arose the need for further review of the revenue sharing formula of the country which in turn culminated in the appointment of a committee to undertake the review. It was a three-man committee comprising Dr. John Hicks, Mr. D.A. Skelton and Sir Sydney Phillipson. Skelton sadly drowned soon after arriving in Nigeria and did not take part in the deliberations of the committee; hence, the Hicks-Philllipson Report of 1951 (Akpan, 2004).

The report recommended the development of a scheme that would, over a period of five years, achieve a progressively, more equitable division of revenue. The

the template. Before Nigeria's independence in 1960, the British colonial administration handled issues of revenue allocation as it considered it fit. During this period, revenue was largely obtained for the establishment and maintenance of infrastructure and to run the colonial bureaucracy. Roads, bridges, railways and sea ports were built to serve the imperial needs of the colonising power. The major economic interests in Nigeria represented by such trading outfits such as John Holt and the United African Company (UAC) determined to a large extent who got what, where and when in the economic system. Indeed, the manner revenues were raised and expended under the colonial government might have stimulated the zeal of nationalist pressures for political independence (Onwioduokit, 2002).

The above assertion that the amalgamation of 1914 gave Nigeria consolidated revenue is corroborated by Nnoli (1978). He notes that, thereafter, the government was regularly faced with the problem of how best to use revenue for the benefit of all the people of the country. He also observes that apart from direct or poll taxes which the local administration levied and collected, prior to the introduction of the Richard Constitution in 1946, it was the central government that controlled most of revenue in the nation. Following the introduction of the Richard Constitution, certain sources of revenue were regionalised. Regional revenues were derived from licences for, and taxes on, hunting, liquor, motor vehicle and driving, forestry, direct and income taxes, reimbursements and miscellaneous sources. Obviously, money collected from these sources was much less than that accruing to the Federal Government essentially from custom duties, post and telegraphs, railways, direct taxes, mining royalties and profits of public corporations.

Revenue allocation commission in Nigeria, 1946-1999

As noted, Nigeria operated a unitary system of government between 1914 and 1946 and there was no need for any system of revenue sharing. With the evolution of rudimentary federal system of government, particularly during the operation of the Richard Constitution from 1946, questions were raised on how revenue was to be shared between the Federal Government and the Regional governments. This culminated in the appointment of Sir Sydney Phillipson, the then Financial Secretary of the Colony to investigate problems of distribution of financial and administrative powers between the existing tiers of government.

The Phillipson Commission, 1946

The Phillipson Commission of 1946 was to formulate the administrative and financial procedures to be adopted by the Richard Constitution. The commission recommended the principle of derivation and even progress as fair basis for allocating federal revenue to the regions. However, the statistical basis for using the principle of population did not exist in 1946. The Commission divided regional revenue into classes, "declared" and "non-declared" revenues. "Declared" revenues were those locally sourced by the regional government – direct taxes (personal income), licenses, fees, income from property, mining rents, etc. These were later described as independent revenues. "Non-declared" revenues were those collected by the central

following principles were recognised: the principle of independent revenue, need, national interest and special grant. In accordance with the idea of independent revenue, the regional governments would exercise clear control over the tax rates on taxable regional matters, and decide how much of the direct taxes would be administered by native administrations. Population was used as a vague criterion of need, to be satisfied by a capitation grant based on the number of adult tax payers in the region. The Commission recommended a special grant of £2 to the North to help it cover deficiencies in equipment. National interest was left undefined but on the basis of it, the Commission recommended that:

(a) a grant to each region for the education of the local areas.

(b) a refund to each region of all regional expenditures on the Nigeria Police Force, minus expenditure for construction and for the maintenance of staff buildings,

(c) a refund of half of regional expenditures on the maintenance and equipment of the native administration police force, excluding staff buildings,

(d) a special grant of £2 to be made to the Northern Region to help make up for deficiencies in equipment for public works and public buildings;

(e) the establishment of a loan commission for the formulation of loan policies.

Under the principle of independent revenue, the Commission recommended that revenue already declared should be handed over to full regional control and administration so that the regions would be free to determine tax rates. Direct taxes would still be administered by the administrations but the regional governments would decide how much would be handed over to them. The tax on petrol should be transferred to the regions to administer so as to increase the volume of independent revenue available to them (Kachikwu, 1989).

The Commission criticised the Phillipson's report for its extensive reliance on the principle of derivation thus:

> The application of the singular principle of derivation to the division of the entire non-declared revenues represented an overemphasis of the principle of regional self-dependence and tended to obscure the equally valid and perhaps more important principle of needs of the people viewed as citizens of a united Nigeria....The unlimited application of the principle of derivation would be more appropriate in a loose confederation of almost independent states than in a federal constitution of the kind which Nigeria is about to achieve. It is not only however, the principle of national unity, is of the whole being greater than the part in more than a physical sense and of the well being of one part being dependent to a real extent on the well being of other parts, that was obscured, the actual fact of mutual dependence need not be forgotten. To measure what one region owes to the efforts of its people, past and present, and what it owes to the efforts, past and present, of the people of other regions, is an impossible

> task, but it is clear that the second debt exists, a fact which derivation as the sole principle of revenue division in some measures hides (Hicks-Phillipson Report, 1951).

The Commission noted that an allocation based primarily on derivation would place the Western region at great advantage and an allocation based primarily on need would do the same to the Northern Region. It would be easy to arrange an allocation that would satisfy the demands of the West and North but it would be difficult to satisfy all the claims that the East had developed as a result of historical antecedent.

The East changed from the principle of need it had advocated before because the Hicks-Phillipson Commission of 1950 had recommended that population be used as a rough determinant of need and a capitation grant on the number of adult male tax payers should be made. This principle was more advantageous to the North which had more population than the East and West. The East thereafter emphasised the principle of national interest. Agitation soon built up from the West to push the principle of derivation to the limit by applying it to all items of federally collected revenues (Kachikwu, 1989).

After the 1953 crisis, and the consequent review of the constitution, the regions gained enormously in autonomy. In the corollary, demand for financial autonomy was placed on the principle of derivation. This led to another revenue allocation review commission (Nnoli, 1978).

The Sir Louis Chick Commission, 1953

The move towards "true" federalism gained increasing tempo and there arose the need to also review the financial relationship between the regions and the Federal government. This resulted in the setting up of Sir Louis Chick Commission of Inquiry. Sir Louis Chick was appointed to ensure, among others, that the total revenue available in Nigeria was allocated in such a way that the principle of derivation was followed to "the fullest degree", compatible to the needs of the centre and the regions (Ekong, 2006).

By its terms of reference, the importance of derivation as the basis of revenue sharing was emphasised and this reflected the thinking of the colonial government on moving towards federalism. The commission was directed to:

> ...enquire how the revenues available, or to be made available, to the regions and to the centre can best be collected and distributed, having regard on the one hand to the need to provide to the regions and to the centre, an adequate measure of fiscal autonomy within their own sphere of government and, on the other hand, to the importance of ensuring that the total revenues available to Nigeria are allocated in such a way that the principle of derivation is followed to the fullest degree compatible with meeting the reasonable need of the centre and each of the Regions (Chick Report, 1953: 34).

The logic of Chick's recommendation led directly to the breaking up of the central Marketing Boards into regional boards in 1954. Their revenues were shared on the principle of derivation. It also recommended that the Federal government should have discretionary power to make grants for the regions when there were serious difficulties. Bitter criticism of the scheme followed because of problems of measurement of imports (except for motor spirit and tobacco) and instability in export duty receipt. The Constitutional Conference of 1957-1958 provided an opportunity for a review of the Chick's revenue sharing formula (Nnoli, 1978).

Some of the recommendations of the 1954 Commission were as follows:

(a) The Federal Government should keep 50 percent of the general import duty while 50 percent should go to the regions

(b) The Federal Government should keep 50 percent of the import and excise duty on tobacco, the rest going to the regions.

(c) 100 percent of the import duty on motor spirit should go to the regions;

(d) 100 percent of the mining rent and royalty should go to the units;

(e) both levels should share the export duty on hides and skin on 50-50 basis

Nnoli (1978) recalls that based on the decisions of the Commission, the Yoruba faction of the privileged classes stood to benefit most from the application of the principle of derivation. Although there was a boom in the sellers markets for the products of the West and North, cocoa and groundnut respectively, the revenue from cocoa far outstripped that of any other produce. Hence, in 1956, in a budget speech, the Premier of the Western Region, Chief Obafemi Awolowo, publicly rejoiced over the benefits his government received from the application of the principle of derivation in the allocation of revenues. But even the leaders of the East which benefited least accepted the principle in the hope that the imminent discovery of petroleum in the region would turn it to their advantage.

The Raisman Commission, 1958

The Chick Commission formula of revenue allocation which greatly emphasised derivation was in use until 1958. Then the tempo of political independence for the country was in top gear. This coincided with the discovery of oil in Eastern Nigeria and once again there arose the need to review the existing revenue allocation scheme. The colonial government consequently appointed Sir Jeremy Raisman and Professor Roland Tress to review the country's fiscal structure. The high points of their recommendations included: (i) the regions should have authority over produce sales and sales tax on motor vehicle fuel (ii) that there be established a Distributable Pools Account for the purposes of sharing federally collectible revenues; (iii) and (perhaps most significantly) that the then practice of returning mining rents and royalties to the regions be discontinued, but rather, that such revenues be shared through the Distributable Pool Account – the region of origin was to get 50 percent, Federal Government, 20 percent and all the other regions, 30 percent (Ekong, 2006).

The Raisman Commission took account of (a) population, (b) the basic responsibilities of each regional government, (c) the need for continuity in regional public services and (d) the need for a balanced development of the country. It created

the Distributive Pool Account to facilitate the sharing of some federally collected revenues among the regions. In addition, mining rents and royalties should be allocated as follows: 50 percent to the regions of origin, 20 percent to the Federal Government and 30 percent to the "Distributive" pool. The general import revenue was allocated as follows: 70 percent to the Federal government and 30 percent to the distributive pool (Raisman and Tress Report, 1958).

The Commission agreed with the Chick's report that a strong and stable central government would be able to assist the regions in distress, and that this position should not be reversed. Out of the distributive pool, 40 percent went to the North, West, 31 percent and East, 24 percent, and the Southern Cameroon that was still part of Nigeria, 5 percent. The Commission's formula remained in force up to when oil revenue was beginning to show signs of becoming a dominant factor in the structure of the federally collected revenue. Although Nigerians welcomed the recommendations of Raisman Commission, the regional governments agreed that the Federal Government should appoint, from time to time, a fiscal review commission.

Ekong (2006) notes that oil had then only been exported and the revenue from it was very minimal. The Raisman Commission quite rightly foresaw great prospect for oil and wasted no moment in recording this point in their report thus:

> The allocation of the proceeds of mining royalties has presented us with most perplexing problem. Although the revenues from columbite royalties rose rapidly at the time of the American stockpiling in 1953-55, royalties on tin, columbite and coal, normally yield a fairly constant annual sum. If these were the only minerals concerned, there might be no difficulty in our recommending the continuation of the present system. The problem is oil. Test production of oil has already started in the Eastern Region and exploration is being undertaken in both North and West...while the yield from oil royalties is at present comparatively small..., we cannot ignore the possibility that the figure may rise very markedly within the next few years. There is therefore a double obstacle in our recommending the simple continuation of the existing method allocating mineral royalties. First, it would involve us, in our revenue assessment for the next few years, in crediting the Eastern Region with a source of income which is at once too uncertain to build upon, and too sizeable to ignore. Secondly, it would rob our recommendations of any confident claim to stability for the future since oil development in any one of the Regions on a scale, which would quite upset the balance of national development which is part of our task to promote.... Our considered conclusion therefore is that the time for change is now, while there is still certainty as to which of the Regions may be the lucky beneficiary or which may benefit most (Raisman Report, 1958: 18).

The Binns Commission, 1964

In 1964, Mr. K.J. Binns was appointed to review and make recommendations with respect to the allocation of mining and royalties and the distribution of funds in the Distributable Pool Account (DPA), among regions. The Commission recommended that the share of the DPA out of the proceeds of general import duties, rents and royalties should be increased from 30 percent to 35 percent. There was a corresponding deduction of the Federal Government's share of these taxes. Actually, the commission recommended the retention by the regions of 10 percent of all export duties, 100 percent of import and excise duties on tobacco, 100 percent of the duties on fuel; 50 percent of mining rents and royalties and 30 percent of the other import duties. It can be seen from the above that apart from the increase in the contents of the DPA through the decrease of Federal revenues, the Commission did not recommend much reforms as agreed with the earlier systems. The Commission, however, recommend that the DPA be shared among the regions by applying the principles of financial comparability as follows:

Northern Region – 42 percent
Eastern Region – 30 percent
Western Region – 20 percent
Mid-Western Region 8 percent

The principle of financial comparability involved the relative consideration of the cash position of the regions, their tax efforts and standard of services provided by them. In effect, this principle was an admixture of the principles of need and even development.

Revenue allocation under the military

The military first entered Nigeria's political scene in 1966 following the military coup led by Major Kaduna Nzeogwu. The promulgation of Decree No. 1 of 1966 in reality effectively liquidated the practice of federalism in Nigeria. Since then, especially during the first phase of the military rule, which ended in 1979, revenue allocation was based on ad-hoc arrangements.

According to Egwaikhide (2003), military rule was accompanied by the militarisation of the economy. Thus, the military exercised veto power on fiscal matters. Members of the military ruling class were generally aware of the petulant struggle to have control of political power at the centre by regional government. There is a direct relationship between control over revenue and political power in Nigeria. With the increasing importance and dominance of oil in Nigeria's fiscal operation, revenue sharing on origin basis was de-emphasised. The use of derivation was considered invidious since it would create a political power block in the ethnic minorities of the Niger Delta. Rooted in a weak theoretical framework, the intellectual backing of the writings of scholars who argued that the derivation principle promoted inter-regional antagonism and fostered unbalanced development provided a strong basis for the abolition of the principle. This should be seen as part of the distribution coalitions that emerged with the increased importance of oil revenue in Nigeria.

With the creation of 12 states, the Distributable Pool Account was re-allocated to reflect the 12 new states structure and revenue was shared among the new states. The allocation among states was not based on any uniform principle neither was it done on the basis of the principles (derivation, population, need and even development, etc.) used previously in allocating revenue among the regions. Beginning from June 1967, the Federal Government retained about 58.4 per cent of the federally collected revenue while the regions/states took the remaining 41.6 per cent (Uwatt and Umoh, 2003; Akpan, 2004).

The Dina Interim Revenue Allocation Committee, 1969

In 1969 the Federal Military Government set up a revenue allocation committee headed by Chief I.O. Dina. The committee was constituted:

> In the light of the creation of 12 states, charged at present with the functions formerly exercised by the Regional Governments, to: (a) look into and suggest any change in the existing system of revenue allocation as a whole. This includes all forms of revenue going to each government besides and including the Distribution Pool; (b) suggest new revenue sources both for the Federal and the State Governments; and (c) report findings within four months (Cited, Ekong, 2006: 16).

The Dina Committee, in its report, made a powerful indictment of the existing revenue allocation system, and taking into consideration the "overall goals" of fiscal federalism, identified five problems:

(i) There had been a growing asymmetry between the functions of, and resources available to, the various components of governments in the federation.

(ii) The existence of a multiplicity of taxing and spending authorities with regard to the same revenue source or expenditure function had generated major administrative problems and reduced effective fiscal coordination

(iii) The existing revenue allocation system contained an "unduly large gap between the allocation principles enunciated...and the extent to which they were given operational interpretation".

(iv) Past Fiscal Commissions did not make clear their theoretical approach.

(v) There was an undue weight assigned to the principle of derivation in the existing allocation system.

The committee recommended that the Federal Government should assume responsibility for a number of matters on the concurrent legislative list of the constitution, e.g. higher education, public safety and order, scientific and industrial research. It also recommended that the Federal Government should embark on a policy of "conditional grants" for health and road transport and to "play a more vigorous policy and fiscal role in the industrial development activity of the states". The committee also recommended a number of controversial measures including uniform rates of income tax and the making of a distinction between off-shore and on-shore oil revenues, etc. The Committee's report was submitted in late January 1969 and was

circulated to the states for their consideration, but when the Federal and State Commissioners of Finance met in April 1969, the report was rejected on the grounds that the committee had "exceeded its powers and in many respects ignored its terms of reference". The states had emphasised when submitting their views that, the principle of derivation was an essential and desirable feature of revenue allocation (Ekong, 2006).

Soon after the rejection of the Dina Report, the Federal Government in early 1970, embarked on substantial alterations in the system of revenue allocation and the changes were embodied in Decree No. 13 of 1970.

Decree No. 13 of 1970

The Decree which was promulgated in 1970 had retrospective effect from April 1, 1969. Among the changes introduced by the law was that mining rents and royalties previously allocated in the ratio of 50 percent to the state of derivation, 15 per cent to the Federal Government and 35 percent to the Distributable Pool Account, were now to be shared: 45 percent, 5 percent and 50 percent respectively. Import duty on motor fuel previously paid wholly to the states on the basis of relative consumption was divided 50 percent to the Federal Government and 50 percent to the state government (Ekong, 2006).

The Decree also provided thus:

> The amount standing to the credit of the Distributable Pool Account at the end of each quarter shall be distributed by the Federation among the States on the following basis – (a) one half shall be divided equally among the states, and (b) the other half shall be divided among the states proportionately to the population of each state (Ekong, 2006: 17-18).

Decrees No. 9 of 1971 and No. 6 of 1975

According to Ubokudom and Ndiyo (2003), these decrees retained the principle of population and equality of states in horizontal revenue allocation (revenue sharing among states) and drastically reduced mining rents and royalties from 45 percent to only 20 percent. The implications of these adjustments granted more tax powers to the Federal Government, especially in matters such as education (university and primary). During this period, the Federal Government took over the erstwhile regional universities and also embarked on universal free primary education.

It should be noted that in 1971, the Federal Military Government issued another decree known as the Off-shore Oil Revenue Decree No. 9, which provided in part that "all royalties, rents and other prospecting or searching for or the winning or working of petroleum (as defined in the Territorial Waters and the Continental Shelf Act) shall accrue to the Federal Military Government". This decree introduced the obnoxious onshore/offshore dichotomy for the first time and further denied the oil

producing areas of revenue which would have accrued to the area under the derivation principle (Ekong, 2006).

Aboyade revenue allocation, 1977

In 1977, the Federal Government set up the Aboyade Technical Committee on Revenue Allocation to fashion out a revenue allocation, which would:

(a) depoliticise revenue sharing in Nigeria;

(b) guarantee each tier of government enough revenue commensurate with its responsibilities;

(c) discourage the possibility of the Federal Government having so much funds that could enable it completely take over the normal functions of the lower tiers of government; and

(d) enable Local Governments to meaningfully undertake grassroots development.

The Commission made serious modifications to the existing allocation formula. It recommended the establishment of a Federation Account, a common pool into which all federally collected revenue (excluding personal income tax of the personnel of the armed forces, the police, External Affairs, residents and non-residents of the Federal Capital Territory) would be paid and shared among the three levels of government.

Despite the rejection of the committee's recommendation, the decree brought about the following radical changes in revenue allocation in Nigeria.

On vertical revenue allocation from the Federation Account, it recommended the shares as follows:

Federal Government	57 percent
State Governments	30 percent
Local Governments	10 percent
Special Grants Accounts	3 percent

The Commission further recommended that every state should provide 10 percent of its total internally generated revenue to its constituent Local Governments. On horizontal revenue formula, it recommended that states' share of the Federation Account should be shared based on five point criteria as follows:

(i)Equality of and access to development opportunities	- 25 percent
(i) Minimum standard for national integration	- 22 percent
(iii)Absorptive capacity	- 20 percent
(iv)Independence revenue and minimum effort	- 18 percent
(v)Fiscal efficiency	- 15 percent

Although government accepted the Aboyade vertical revenue allocation formula, it rejected the horizontal allocation formula because it found the formula "rather too technical" (Ubokudomrand Ndiyo, 2003).

By 1979, however, the relatively decentralised system of revenue allocation had been transformed into a highly centralised regime in which all federally collected revenues were consolidated into a single "Federation Account", which was then disbursed among the levels of government on the basis of criteria that gave little or no recognition to the derivation principle. The move towards centralisation and the

Decree No. 36 of 1984

Following the advent of another military rule under the leadership of General Muhamadu Buhari, Decree No. 36 of 1984 introduced a new vertical revenue allocation formula as follows:

Federal Government	- 55 percent
State Governments	- 32.5 percent
Local Governments	- 10 percent
Special Funds	- 2.5 percent

In the area of horizontal revenue allocation, the Federal Government retained the provisions of the 1981 revenue act in the promulgation of the decree on revenue sharing (Ubokudom and Ndiyo, 2003).

National revenue mobilisation, allocation and fiscal commission

In 1988, the Federal Government revisited the recommendations of the D[illegible] Commission of 1968 for the establishment of a permanent revenue planning and fiscal commission which was earlier rejected by the government. Decree No. 49 of 1989 provided for the setting up of a permanent Revenue Mobilisation, Allocation and Fiscal Commission (RMAFC) to review revenue allocation formulae. The Commission was headed by General Theophilus Danjuma. The Commission was charged with the promotion of fiscal efficiency, the design and mobilisation of all sources of pubic revenues, the periodic review of revenue allocation formulae and the prescription and application of new ones, as well as monitoring of accruals and disbursements or revenue from the Federation Account and other joint accounts (Ubokudom and Ndiyo, 2003).

Recommendations	**Government**	**Approved**
Federal Government	- 47 percent	50 percent
State Governments	- 30 percent	30 percent
Local Governments	- 15 percent	15 percent
Special Funds	- 80 percent	5 percent

For revenue sharing among state governments the Commission recommended the following:

Recommendations		**Government**	**Approved**
Equality of states	-	40 percent	40 percent
Population	-	30 percent	30 percent
Internal revenue effort	-	20 percent	20 percent
Social development factors	-	10 percent	10 percent
Landmass and terrain	-	10 percent	

According to Anuwo (1999), although this formula was supposed to be an improvement on the previous formula; a studious perusal of the formula reveals that it not only retained some anachronisms of the earlier ones, but also introduced obnoxious aspects of its own. Whatever claims the formula may make on equitability, reasonableness and acceptability was circumscribed by the low percentage given to derivation and the disproportionate weight given to population and population-related

factors in relation to "equality of states". The introduction of landmass as an index of revenue allocation was also regarded as retrogressive and unfair.

Population as a criterion of revenue allocation has been particularly beneficial to the North. While the use of population may reflect the reasoning that development must be people-centred, its unwilled use has made it obnoxious. The application of population criterion without taking into account demographic characteristics undoubtedly dilutes policy utility. Indeed, the intensive use of the population principle to allocate revenue has made it exceedingly difficult if not impossible to have a credible head count for development planning. Population is one of the arguments explored to create more states and local governments from the existing ones, a development which in turn leads to inappropriate revenue allocation (Egwaikhide, 1998).

As noted, State and Local Governments became politicised to favour a section of the country. For instance, on account of population, the former Sokoto State has been balkanised into three – Sokoto, Kebbi and Zamfara States. On the basis of equality of states principle, the area previously occupied by Sokoto State now gets more revenue individually. Moreover, on the basis of local government, the three states with 58 Local Government Areas unjustly derive more revenue from the central pool. Kano and Lagos States started off with the same number of local government areas at creation in 1967. Jigawa State was later carved out of Kano State, Kano now has 44 Local Government Areas. Also, Jigawa has 27 Local Government Areas, while Lagos, the most populous state in the country with a population of about 21 million people, has only 20 Local Government Areas. On account of equality of state and local government areas, the old Kano gets more from the federal allocation. This institutionalised injustice justifies the claim that the military which is dominated by Northerners deliberately structured the polity to favour the Northern part of the country. Gombe and Nasarawa States, two of the states in the North, possess about the size of Ijebu or Shagamu in the South West, but they have been made distinct states with 24 Local Government Areas even though Ijebu and Shagamu areas are more viable (Akpan, 2012; Nyiam, 2017).

June 1992 revenue allocation formula

Between January 1990 and June 1992, there were five revisions to the revenue allocation formula, namely: January 1990, January 1991, January 1992, March 1992 and June 1992. The June 1992 revision which was the most important was informed by the inability of the local governments to effectively administer primary education. Consequently, the vertical revenue allocation formula was revised and the Armed Forces Ruling Council (AFRC) accepted the following revenue allocation arrangement:

Federal Government	-	48 percent
State Government	-	24 percent
Local Government	-	20 percent
Special Funds	-	7.5 percent

Revenue Allocation Since 1999

With regard to the revenue sharing formula for the country after the 29th of May 1999, Section 162 of the 1999 Constitution is instructive. Section 162 (1) – (3) states:

> 162 (1): The Federation shall maintain a special account to be called "the Federation Account" into which shall be paid all revenues collected by the government of the Federation, except the proceeds from the personal income tax of the personnel of the armed forces of the federation, the Nigeria Police Force, the Ministry or Department of government charged with responsibility for foreign affairs and residents of the Federal Capital Territory.
>
> 162 (2): the President, upon the receipt of advice from the Revenue Mobilisation Allocation and Fiscal Commission, shall table before the National Assembly proposals for revenue allocation from the Federation Account, and in determining the formula, the National Assembly shall take into account, the allocation principles especially those of population, equality of states, internal revenue generation, land mass, terrain as well as population density: Provided that the principle of derivation shall be constantly reflected in any approved formula as being not less than 13 percent of the revenue accruing to the Federation Account from any natural resources.
>
> 162 (3): Any amount standing to the credit of the Federation Account shall be distributed among the Federal and State Governments and the Local Government Councils on such terms and in such manner as may be prescribed by the National Assembly.

Section 162 (2) of the 1999 Constitution has given guidelines on the principles the National Assembly shall take into account in determining the revenue allocation formula for the country. These principles are: derivation, population, equality of states, internal revenue generation, landmass, terrain and population density.

Implementation of the 13 Percent Derivation

As noted above, the 1999 Constitution stipulated that derivation shall not be less than 13 percent. However, the Federal Government, under Chief Obasanjo at one time, paid less than 7.8 percent of the 13 percent derivation to the oil producing states. The Federal Government later decided that it would pay the money with effect from January 2000 instead of the 29th of May 1999, the date the constitution came into effect. After the oil producing states mounted pressure on the Obasanjo led administration to fully implement the 13 percent derivation provision in the 1999

Constitution, the Federal Government responded that "the reason for not implementing the provision was the scope of the enjoyment of the 13 percent derivation by the states which should be limited only to the onshore revenue, and not extending to revenue derived from offshore" (Odu, 2008).

The beneficiary states disagreed with the Federal Government. The Federal Government then decided to seek a legal interpretation of the provision. The matter went to court and the Supreme Court decided in favour of the Federal Government. The Niger Delta states were visibly angry and there was political tension in the country. This forced President Obasanjo to retrace his steps. He agreed to "solve the problem politically". He sent a bill to the National Assembly to abolish the on-shore/off-shore dichotomy. The National Assembly passed the Bill into law abolishing the onshore/off-shore dichotomy and the President gave his assent (Odu, 2008).

The success of the Niger Delta Region in getting the Revenue Allocation (Abolition of Dichotomy) Act passed by the National Assembly was a pyrrhic victory. This is because in 2005, barely a year later, another suit was filed in the Supreme Court by all the 19 states of Northern Nigeria together with three states from South-Western Nigeria against the Federal Government and the eight identified littoral states. The claim was that the Revenue Allocation (Abolition of Dichotomy in the application of the principle of Derivation) Act 2004, inter alia:

(i) had the effect of ceding a territory of Nigeria to the littoral states; and

(ii) constituted a legislative judgement and accordingly was unconstitutional, null and void. The Supreme Court, in dismissing the suit, held that the 2004 Act did not constitute a legislative judgement; it did not cede any part of Nigeria's territory to the littoral states and did not offend any part of the constitution.

During the administration of President Umaru Yar'Adua from the 29th of May 2007, the complaints by the federating units over inadequate funding of the units to carry out their constitutional responsibilities did not abate. The Governors of the 36 states held their maiden meeting in June 2007 in Abuja, under the aegis of the Governors' Forum and called for an immediate review of the current revenue formula which stands at:

Federal Government - 52.68 percent
State Governments - 26.72 percent
Local Governments - 20.60 percent

The Forum advised the Federal Government to constitute a committee to review the present allocation formula. The committee was also expected to review accounting and distributable process of all revenues and to share all the distributable funds in accordance with the 1999 Constitution. The Forum advised the Federal Government to follow, strictly, the guidelines spelt out by the RMAFC, the only constitutionally recognised body charged with the distribution of revenue from the central pool. It became obvious that the Governors were not satisfied with the existing revenue sharing formula (Odu, 2008).

Inequity in revenue allocation to the federating units

The series of complaints by many states suggests that states are not satisfied with the funds allocated to them. The present revenue sharing formula is skewed towards making the States and Local Governments ever dependent on the Federal Government for survival. There is need for derivation percentage granted the oil bearing states to be increased to at least 50 percent. For instance, in 2005, the House of Representatives debated on a new Revenue Allocation Bill. The House set up a special committee made up of members from each of the 36 states to closely examine the bill. It is reported that most of the members of the committee favoured devolution of powers to the federating units. It was expected that the bill would be passed into law before the end of May 2007; however, the expectation did not materialise (Odu, 2008).

The prevailing arrangement governing the sharing of national revenue in the nation's federal set-up has far-reaching implications for the harmonious co-existence of the component units, hence the durability of the system as a geo-political entity. The grey areas concern how the Federal and State Governments (vertical allocation), and how the shares of the States and Local Governments are distributed among them (horizontal). It is a truism that vertical and horizontal revenue allocation remains the centre-piece of inter-governmental fiscal relations in the country and thereby constitutes a veritable source of long-standing controversy in the various attempts to establish a revenue allocation arrangement that is generally accepted. In the present circumstance, the derivation principle should prevail. The present 13 percent derivation fund should be constitutionally reviewed upward, as it is being currently canvassed by the Southern leaders of thought.

Derivation principle and national unity

As noted earlier, the principle of derivation was the first criterion to be used for revenue allocation in the country. It was introduced by the Phillipson Commission in 1946. The principle states that "each state's share from the central revenue should be proportionate to its contributions to the centrally collected revenue. This principle has been in use in all the revenue allocation formula in the country but with varying degrees of emphasis. Generally, there has been progressive decline in the emphasis given to derivation in revenue allocation formula. In the 1950s, it attracted almost 100 percent, but declined to 20 percent in 1975 and 2 percent from 1991 to 1998 and increased to about 13 percent in 2001 (Onwiodukit, 2001).

The theoretical principle behind the application of derivation as a criterion for revenue allocation is associated with the change in the social state of welfare that results from production activities and the compensation of losers by gainers in production activities. As production takes place in any society, value is created for some members of the society, while some members suffer losses due to the "disvalue" created by the externalities of the production. Ndebio (2003) opines that production activity enhances the production level of welfare in praeto-optimally sense. He adds that those who gain value (and higher welfare level) should compensate those who make losses (and incur reduction in welfare level)), such that the latter is at least left

at the level of welfare as before the production with the former group still better off after distribution. Citing Saposink (1968), he concludes that by that, the principle of redistribution of gains in a way that guarantees the removal of welfare losses caused by externalities of production is referred to as compensation principle.

Onwioduokit (2001) has outlined the advantages of derivation as follows:

(i) derivation principle promotes efficiency since the states know that their fair share of the revenue depends on their ability to generate revenue. To this end, they strive to maximize the yields from available tax sources.

(ii) it promotes the production of export crops as was in the 1950s and 1960s, when the principle was applied and it encouraged the regional governments to promote the cultivation of export crops such as cocoa, palm oil trees, cotton, etc.

(iii) the principle advocates equity because it is equitable for states from which the bulk of the revenue is obtained to get extra share beyond what other states receive.

(iv) it promotes efficiency in resource allocation. States that produce the products that are in high demand should be encouraged to produce more by allocating more revenue to such states. The principle allows states to rigorously exploit the various resources within their jurisdiction. At the same time, the principle produces the necessary sanction on states that would want to "reap where they did not sow".

(v) one of the arguments given by Sir Phillipson for advocating the principle of derivation was that it will "train the regions in the art of cutting their coats according to their cloths and inculcate in them a sense of financial responsibility".

Onwioduokit (2001) has also noted the disadvantages that derivation poses as follows:

(i) the principle aggravates disparity in revenue and income. When derivation was introduced in the 1950s, it benefited the Western Region more than the other regions because of the fact that it controlled the bulk of the export crops and also had the highest record of tobacco consumption.

(ii) derivation works well in a loose federation. It has been found to be unsuitable for a closely-knit federation. It tends to emphasise state differences and makes the poor states suspicious of the rich and creates a general feeling of disharmony and acrimony.

(iii) the workability of the principle requires a good and reliable statistical data. The contribution of each state to total revenue and output and the tax yields from the different tax sources must be clearly known; the arbitrary assignment of weights is bound to produce an unfair pattern of income distribution.

(iv) the principle introduces element of instability into the revenue position of states. In years where the yields from agricultural exports were low, the tax revenue of the region, producing crops dropped.

It has been stressed that by the very nature of fiscal decentralization, disproportionate growth and development is inevitable. This is directly related to the

important issue of unequal fiscal capacity of fiscal federalism. Reference can be hardly made to any developing country with a decentralised fiscal system that has achieved balanced development. Regional planners generally recognise that regional disequilibrium situation tends to move towards equilibrium status through movement of factors across space...the fear of antagonists of derivation principle that it would engender spatial inequalities is perhaps unfounded. In any case, the problem of unequal fiscal capacity is usually resolved through grants (Cited in Akpan, 2012).

Conclusion

Indeed, revenue allocation everywhere in the world is a critical political and economic issue. This is primarily due to the very practical case of scarcity of fiscal resources (means) and the resulting competition among component units of government sectors (ends) for the use of such resources (Umobong, 2003). The reality of this age long tried and tested truth is that there is not time that available resources would ever adequately service all the component units of government and sectors of the economy. To this end, there exists a natural evolution in form of competition among government units and economic sectors for scarce revenue. Human involvement in the process often creates various dimensions of political competition and rivalry. Considering the space and time variations in resources endowment in the society, the competition becomes tense and political.

Nigeria was administered as a unitary state under the colonial administration until the introduction of the constitution in 1946 which created Northern, Western and Eastern Regions. These regions were assigned responsibilities and the financial and administrative procedures for meeting them through various commissions. The Phiilipson Commission was appointed in 1946 to fashion out financial and administrative procedures for the country. Following the recommendations of the commission, regional revenues were grouped into "declared" and "non-declared". Declared revenues were exclusive to the regional, while the non-declared revenues were collected by the federal authorities. Under this arrangement, derivation principle served as the bedrock of revenue allocation. This financial arrangement subsisted until 1951 when the Macpherson Constitution replaced the Richard Constitution. Owing to the dissatisfaction with the recommendations of the first commission, the Hicks-Phillipson Commission was constituted and it recommended more powers to the regions to raise, regulate and appropriate certain tax revenues. It also recommended that revenue be shared on the principles of derivation, need and national interest. These recommendations were adopted and operated till 1953 when the Chick Commission was appointed to review the existing revenue allocation regime (Udoh, 2003).

The Commission was mandated to ensure that the total revenue available was allocated in such a manner that the principle of derivation prevailed and made compatible with the needs of the federal and regional governments. The commission executed its mandate and also expanded the revenue regime to include import and excise duties, export duties, mining rents, royalties and personal income tax. On its part, the Raisman Commission of 1958 created, for the first time, the Distributable

Pool Account (DPA) into which certain percentage of federally allocated revenue was paid and shared among the regions. The principle of derivation was the dominant method, while that of need was also used.

In post-independence era, the first revenue allocation commission was the Binns Commission which was set up to review and make recommendations on the federation revenue comprising mining rents and royalties, import and export duties etc., and the distribution of funds in the DPA. The principle of derivation still dominated the sharing formula, while need and even development were also added.

Following the military take over on the 15th of January 1966, the creation of 12 states on the 27th of May 1967 and the outbreak of the civil war, the fiscal relations among the three tiers were altered through various decrees. Unjust principles such as population, land mass, etc., have been used in revenue sharing. The issue of fiscal federalism has indeed occupied the front burner in National Conferences organised under the Obasanjo and Jonathan regimes. Currently, the states in the Southern part of the country have strongly opted for restructuring of the Nigerian polity to reflect aspects of "true federalism". In the agenda, resource control has been strongly canvassed. It is hoped that the current Federal Government led by General Muhammadu Buhari would yield to public opinion and restructure the polity to operate fiscal federalism.

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downgrading of the derivation rule was significantly reinforced by the implementation, during April-September 1979, of the main proposals of the Oyetunji Aboyade Technical Committee on Revenue Allocation. The Aboyade scheme recommended the consolidation of all federally collected revenue into a "Federation Account", which would be shared in the proportion of 60, 30 and 10 per cent among the centre, the states and the localities respectively.

The Federal Government has become a regular and monthly paymaster, and the states, its waste pipes, accounting to no one in particular, not even to its subjects or itself. Many otherwise vibrant and enterprising nationalities have been reduced to beggarly, unproductive entities living off the central government. Commodity and raw material produce for which Nigeria had been famous have been neglected and ignored. What is in place is a skewed federal revenue allocation formula that emphasises land mass, need, population and other weird factors, rather than derivation, for sharing the national cake. It is a perfidious arrangement which reflects the greatest injustice in the national system. As successive military dictatorships sought legitimacy and local support, they created more states without regard for viability and consideration of the nation's macro economic conditions. The federal spirit encapsulated by earlier constitutions has been totally negated by military administrations that have persistently claimed exclusive and exhaustive knowledge of the Nigerian conditions and confusion created over the years by the barrack's messiahs (Alli, 2001).

Pius Okigbo revenue allocation commission, 1980

In 1980, the Federal Government set up the Pius Okigbo Commission to look into revenue allocation in the country.

In its recommendations, it revised the revenue allocation formula as follows:

Federal Government - 55 percent
State Governments - 30 percent
Local Governments - 8 percent
Special Funds - 7 percent

On horizontal revenue allocation, the Commission modified the 5-point criteria of Aboyade and instead adopted a 4- point system as follows:

(i)Population - 40 percent
(ii) Minimum standard for national integration - 40 percent
(iii) Social development factor - 15 percent
(iv) Internal revenue effort - 5 percent

The 1981 Revenue Act

In 1981, the Shagari administration enacted a Revenue Allocation Act. This development was necessitated by the Okigbo's revenue allocation which the administration accepted with minor changes. The vertical revenue allocation was modified as follows:

Federal Government - 55 percent
State Governments - 30-5 percent
Local Governments - 10 percent
Special Funds - 4.5 percent

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