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Subject: Changes the transition between medium and large city LGA formula; fixes a calculation error

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Overview

Modifies the phase-in range for cities transitioning between the medium city revenue need formula and the large city revenue need formula under the local government aid (LGA) program. The current LGA program has three need formulas—a small city (2,500 or less population), medium city (between 2,500 and 10,000 population) and large city (population of 10,000 or more).

Currently cities with a population between 10,000 and 10,500 are transitioning between the two formulas; under this bill the transition will apply to cities between 10,000 and 11,000. During the transition phase a city's need is partially based on both formulas and the percent derived from each formula depends on how close its population is to the high end of the transition population range. The transition between the small city and medium city need formulas remains over a population range of 2,500 to 3,000.

Also corrects a mathematical error in the current city LGA formula that causes some cities' aid to decrease even though their aid in the previous year is less than its current unmet need. Twenty cities are affected by this error for aids payable in 2017 and 24 will be affected for aids payable in 2018 under current law without the correction.

Effective beginning with aids payable in 2018 and thereafter.

Section

1 **City revenue need.** Changes the phase-in range for cities transitioning between the medium city revenue need formula and the large city revenue need formula from populations between 10,000 and 10,500 to population between 10,000 and 11,000. The percentage of a city revenue need that is based on the large city formula increases by 1% for every ten persons above 10,000. At a population of 11,000 a city's revenue need is based solely on the large city formula.

Effective for aids payable in 2018.

2 **City formula aid.** Uses certified aid from the previous year as the starting point for calculating a city's formula aid. A city's formula aid (aid increase) is equal to a percentage of the difference between a city's unmet need and its certified aid for the previous year.

Effective beginning with aids payable in 2018.

3 **City aid distribution.** Provides that if a city's aid from the previous year is less than its unmet need for the current year, its new aid amount will be its certified aid from the previous year plus its formula aid calculated under section 2.

If a city's aid in the previous year is equal to or greater than its current unmet need, its new aid amount is the greater of:

- ▶ its current unmet need; or
- ▶ its aid from the previous year minus the lesser of (1) \$10 per capita, or (2) 5% of its net levy in the previous year.

These are the decreases allowed under current law.

Effective beginning with aids payable in 2018.