File Number: H.F. 3830 **Date:** April 5, 2018
Version: As introduced

Authors: Bahr and others

Subject: Reducing LGA by local sales tax revenue

Analyst: Pat Dalton

Overview

Beginning with aids payable in 2019 reduces the measurement of "unmet need" used to calculate LGA payments based on a city's local sales tax revenue. The reduction is phased in over five years.

The reduction in unmet need in those cities will increase the aid paid to other cities. In the first year a little over $3 million in LGA will be shifted between cities compared to current law. At full phase-in, the amount of LGA shifted between cities will be about $39 million.

Section

1 **Unmet need.** Subtracts from a city's "unmet need" measure a portion of its local sales tax revenue. The portion is set in section 2. "Unmet need" currently is equal to (1) "need" based on a number of city characteristics, minus (2) the city's adjusted property tax base multiplied by the average city property tax rate.

Effective beginning with aids payable in 2019.

2 **Local sales tax adjustment.** Reduces a city's unmet need by a percentage of its local sales tax revenue two years prior to the year in which the LGA is paid. The lag is necessary due to the timing of aid calculations. The percentage is:

- 20% for aids payable in 2019;
- 40% for aids payable in 2020;
- 60% for aids payable in 2021;

Section

- 80% for aids payable in 2022; and
- 100% for aids payable in 2023 and thereafter.