

Subject LGA base year formula adjustment for Northern Township

Authors Duran and others

Analyst Jared Swanson

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Summary

H.F. 4161 adjusts the calculation for 2027 local government aid (LGA) for Northern Township, which plans to incorporate as a city in November 2026. Under the bill, it would be assumed that, for the purposes of the 2027 LGA calculation, Northern Township received \$109.35 per capita in LGA in 2026. The bill also makes Northern Township eligible for LGA in 2027, rather than 2028. Under current law, a new city is only eligible for aid the year after incorporation if the incorporation happens by June 30.

Background: A city's LGA is equal to a percentage difference between its unmet need, as determined by the LGA formula, and the aid it received in the prior calendar year. When a city first comes on to the LGA formula, this gap is larger in the first year than it will be in successive years, causing aid to initially be lower than it would have been had the city received aid in the prior year.