In 1993 the legislature adopted a new city LGA formula. LGA consists of two parts, the city aid base which is equal to the amount of aid the city received in 1992 (also known as the "grandfathered" aid), and the formula aid which is the amount that is distributed via the LGA formula. Of the $381 million of city LGA in 1999, $321 million is grandfathered aid. Under the original law, for every dollar that the total LGA appropriation increased over the 1994 amount, the amount of grandfathered aid was reduced by an equal amount. The intent was to eliminate grandfathered aid gradually and eventually have all city LGA distributed based on the formula.

In 1994 the legislature eliminated the "ungrandfathering" provision included in the original provision. This bill reinstates the ungrandfathering provision of the original law. Beginning with appropriation increases for aids payable in 2000, every dollar of increase in the LGA appropriation will cause an equal decrease in grandfathered aid. The new appropriation and the ungrandfathered amount would both be distributed via the aid formula.

1. **Base reduction ratio.** Defines the base reduction ratio to be equal to the ratio of (1) the increase in the total city LGA appropriation since 1999 to (2) the amount of total grandfathered aid for all cities. Clarifies some language.

2. **City aid distribution.** States that a city's aid is equal to (1) the amount of aid it receives under the formula plus (2) a portion of its grandfathered aid that is determined by the base reduction ratio. As the base reduction ratio increases, the portion of grandfathered aid received decreases. The reduction in the grandfathered aid for all cities will equal the appropriation increase.

3. **Effective date.** Effective beginning with aids payable in 2000.