

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 3756

**DATE:** March 25, 2008

**Version:** With author's amendment H3756A1

**Authors:** Marquart and others

**Subject:** Modifies the LGA formula

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### Overview

Increases the appropriation for the city LGA program by \$90 million to \$575 million. Eliminates two portions of the current city aid base, regional center aid and small city aid, and replaces them with two new subparts of LGA – city job base aid and an increased small city aid. Modifies the formula aid calculation for Pay 2009 to include these two new aids, with the remaining portion of the formula aid based on factors used in defining formula aid for Pay 2008. Final aid remains equal to formula aid plus city aid base. Provides that if the 2009 LGA appropriation does not increase by \$90 million, then each city's LGA increase will be reduced proportionately.

Provides for Pay 2010 and future years that each city's LGA amount will increase between 2.5 – 5.0 percent annually, based on the growth in the implicit price deflator for state and local government purchases.

### Section

- 1**      **City revenue need.** Establishes minimum city revenue of \$290 per capita for cities with a population of 2,500 or more. Effective beginning with aids payable in 2009.
- 2**      **City aid base.** Eliminates the existing regional center aid for nonmetro area cities with a 2000 population of 10,000 or more. Eliminates the small city aid base of \$6 per capita for cities with a population less than 5,000. Effective beginning with aids payable in 2009.
- 3**      **Small city aid base.** Establishes a separate small city base aid of \$12 per capita for cities with a population of less than 5,000. This replaces one of the provisions eliminated in

## Section

section 2. Effective beginning with aids payable in 2009.

**4 City jobs base.** Establishes a separate city jobs base aid for all cities with a current population of 5,000 or more. The amount is equal to one of the following:

- for a city with a population between 5,000 and 10,000 an amount equal to the product of (1) \$55, (2) its jobs per capita and (3) its population;
- for all cities with a population of 10,000 or more an amount equal to the product of (1) \$75, (2) its jobs per capita and (3) its population; PLUS
  - an extra \$100,000 for a nonmetro city that has a population between 15,000 and 30,000; and
  - an extra \$350,000 for a nonmetro cities with a population of \$350,000 or more.

No city's city job base may exceed \$12 million. Effective beginning with aids payable in 2009.

**5 City formula aid.** Changes the formula aid for each city to be equal to the sum of (1) its city jobs base,(2) its small city aid base and (3) a percentage of the difference between its 2008 need multiplied by population and its 2008 tax base multiplied by the 2008 average city tax rate.

The percent of the third part of the formula included in calculating formula aid is equal to the rate needed to have the sum of total aid for all cities to equal \$572.052 million. No city's formula aid may be less than zero.

Effective beginning with aids payable in 2009.

**6 City aid distribution.** For aids payable in 2009 only, a city's LGA is equal to its 2009 formula aid calculated under section 0, plus its city aid base. No city's LGA may increase by an amount greater than 75 percent of its pay 2008 levy.

For aids payable in 2010 and thereafter, each city's LGA is equal to its LGA in the previous year; increased by the percent equal to the increase in the implicit price deflator for state and local government purchases, with a minimum increase of 2.5 percent and a maximum increase of 5 percent.

Effective beginning with aids payable in 2009.

**7 2009 aid adjustment.** Provides that if the limit on the 2009 LGA appropriation is not increased by \$90 million to \$575.025 million, that the *increase* in each city's LGA amount between pay 2008 and pay 2009 will be prorated down by an equal amount to spend the allowed appropriation amount.

**8 Cities (appropriation limit).** Increases the limit on the city LGA appropriation by \$90 million to \$575.025 million. Removes the limit in future years. Effective beginning with aids payable in 2009.

**9 Study of aids to local governments.** Authorizes a study group, made up of legislators and local government representatives, to analyze the existing LGA program and make recommendations for change by December 15, 2010 . Effective the day after final

**Section**

enactment.