LGA Key Terms and Definitions

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LGA calculation
The formula used to calculate LGA is:
LGA = last year's aid + x% (city's unmet need – last year's aid payment)
X% is adjusted in order to distribute the LGA appropriation. It is the percentage of the difference between need and last year's aid amount and is the same for all cities.

Revenue need
A city's per capita need for revenue to deliver city services. Determined by three sets of need factors: one for cities under 2500 population, one for cities between 2500 and 10,000 and one set for cities over 10,000.

Need factors
Demographic and other variables that are used to calculate the per capita revenue a city needs to deliver services. Each need factor is associated with a specific dollar impact on total need per capita. There is one set of need factors for cities under 2500 population, one set of need factors for cities between 2500 and 10,000 population and one set for cities over 10,000 population.

Cities under 2500	*Cities 2500 – 10,000*	*Cities over 10,000*
Per capita need is based solely on city population size	% of housing built before 1940	% of housing built before 1940
	Average household size	% of housing built 1940-1970
	Population decline from the peak over the last 40 years	Number of jobs per capita
		Sparsity adjustment for population less than 150 per square mile

Need factor coefficient (coefficient)
Through the regression technique, each need factor is assigned a weight that shows how much of an impact on city revenue need it has. The larger the coefficient, the more impact a change in that factor will have.

Ability to pay
The amount of property tax dollars a city could raise if it were to apply the statewide average city net tax capacity tax rate to its tax base. A city's tax base is defined as the adjusted net tax capacity (ANTC). ANTC is calculated by applying the tax capacity classification rates for the year of the aid distribution to the estimated market values for taxes payable in the year prior to the aid distribution. Fiscal disparities distribution tax capacity for the previous year is added where applicable. The current year fiscal disparities contribution tax capacity is subtracted. The market

value used to calculate ANTC is also reduced by market value contained in TIF districts and by market value of transmission lines.

Statewide average tax rate
The result of dividing the total net tax capacity levy of all cities by the total tax capacity of all cities. The statewide average is used to calculate a city's ability to raise its own revenues.

Revenue need – ability to pay gap
LGA fills a portion of the gap between a city's revenue need and its ability to raise its own revenues from its tax base. The amount of this gap that is filled depends on the total gap for all cities and the amount of money available for LGA distribution in a given year. The amount of the gap filled is the same for all cities that receive LGA.

LGA appropriation
The state legislature determines the amount of dollars available for LGA payments each year. The pool of money available does not change in response to city revenue need. $507.6 million was appropriated for the 2014 distribution. That is an $80 million increase over the 2013 level. In 2015, cities will receive $509.1 million. In 2016 and thereafter, cities will receive $511.6 million.

Minimum rules
There are rules limiting how much a city's LGA payment can go down from year to year. No city can get less in 2014 LGA than it did in 2013. Starting with 2015 payment amounts, decreases are limited to 5% of a city's previous year levy or $10 per capita. Aid decreases will occur when a city's current aid exceeds its unmet need.