



# School Finance 101: Revenue Targets

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# Revenue targets

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- Are based on revenue per student in weighted average daily attendance (WADA)
  - Use best of three “scenarios”
  - Include funds for high school allotment and teacher salary allotment authorized in HB 1 (2006)
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# Revenue targets

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- S1 – Based on actual 2005- 06 revenue
  - S2 – Revenue district would have received in 2006- 07 based on:
    - ✓ School finance law prior to HB 1
    - ✓ 2005 adopted tax rate
  - S3 – Revenue district would have received in 2006- 07 based on:
    - ✓ School finance law prior to HB 1
    - ✓ Effective tax rate based on HB 1
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# Revenue targets

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- Revenue is divided by WADA in each scenario
  - Revenue target is based on highest revenue per WADA
  - Revenue target is multiplied by current-year WADA
  - Revenue target leveraged by compressed tax rate
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# Additional State Aid for Tax Reduction (ASATR)

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- Original revenue targets:
    - ✓ Best of S1, S2, or S3 revenue per WADA x current-year WADA
    - ✓ High school allotment = \$275 x current-year high school ADA
    - ✓ Teacher salary allotment = \$2,500 x current number of employees subject to minimum salary schedule
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# ASATR

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- First, calculate revenue target:
    - + Target revenue per WADA x current-year WADA
    - + Salary allotment
    - + High school allotment
    - = **Revenue target**
  
  - Next, calculate difference between target and current law state and local formula revenue
    - + Revenue target
    - Current law state and local revenue (S4)
    - = **ASATR, if positive, OR (dragback, if negative)**
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# ASATR

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## □ Adjustments to ASATR

### ✓ Dragback

- o If state and local revenue exceeds the revenue target, funding is reduced to revenue target by:
  - o Reducing state aid, or
  - o Increasing recapture costs

### ✓ Penalty for levying tax rate lower than compressed rate – current law creates funding cliff

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# ASATR

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- Adjustments to ASATR implemented in 2007
    - ✓ Transportation allotment
    - ✓ New Instructional Facilities Allotment
    - ✓ Changes in:
      - Optional homestead exemptions
      - TIF participation
      - Tax abatements
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# ASATR

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- Adjustments to ASATR implemented in 2009
    - ✓ Tuition paid for secondary students
    - ✓ Additional state aid for tax credits under Tax Code, Chapter 313
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# ASATR

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- Changes made by HB 3646
    - Provided for minimum and maximum increase over prior law
      - Minimum = \$120/WADA
      - Maximum = \$350/WADA
    - Collapsed several previous hold harmless provisions into target revenue
    - Includes funding for educator pay raises of \$23.63/WADA that was first authorized by rider in 2007
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# ASATR

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- Current reports reflect “Revenue @ Compressed Tax Rate per WADA” (RACR)
    - Reflects total revenue @ compressed tax rate divided by WADA
    - Includes adjustments that were not included in original revenue targets
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# ASTAR

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- Funding for most districts is based on target revenue rather than formulas
    - Changes to formulas do not affect most districts
    - Can result in unintended consequences
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