School Finance 101: Revenue Targets

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Revenue targets

- 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
Revenue targets

- 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
Revenue targets

- 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
Additional State Aid for Tax Reduction (ASATR)

- Three components
  - 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
ASATR

- 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
  + Revenue target
  - Current law revenue (S4)
  = ASATR, if positive, OR (dragback, if negative)
ASATR

- Adjustments to ASATR
  - Transportation allotment
  - NIFA
  - Additional state aid for tax credits under Tax Code, Chapter 313
  - Changes in:
    - Optional homestead exemptions
    - TIF participation
    - Tax abatements
ASATR

- Adjustments to ASATR

  - Dragback
    - If state and local revenue exceeds the revenue target, funding is reduced to revenue target

  - Penalty for levying tax rate lower than compressed rate
Please note!

- Districts must levy at least the compressed tax rate to receive their target revenue
  - Levying less than compressed rate will result in state aid penalty
  - Compressed rate generates revenue target, even if it falls below $0.86
Questions?