

**School Finance Models: Reducing Entitlement by \$2 Billion/Year**

Prepared by LBB Staff, February 2011

**Description of Models**

All models apply reductions to district revenue at the compressed tax rate. As such, any revenue generated by tax effort above the compressed rate is unaffected, and not represented in any amounts shown in this analysis.

**MODEL 1: TARGET REVENUE CAP**

This model caps all districts' target revenue per WADA at \$4,872. Target revenue here is defined as the revenue guaranteed to districts under HB1, 79th 3rd Called Session, and prior to the increases contained in HB3646. Certain adjustments to a district's revenue for changes in, for ex., the transportation allotment, TIF payments, and NIFA, also are not included in the cap. Districts with target revenue below this amount are unaffected. Formula-funded districts that do not receive hold harmless state aid (ASATR) are also unaffected (because the formulas generate more revenue than the cap).

**MODEL 2: ACROSS-THE-BOARD REDUCTION**

This model applies a uniform reduction to all districts, modeled as a percentage of the district's projected FY12 total revenue per WADA at the compressed rate (RACR). Note that the percentage reduction, set at 6.05% for this model, applies to all districts regardless of whether they receive hold harmless or are formula-funded. The model assumes that the state would recover each district's reduction amount even if that amount exceeds the district's hold harmless amount or overall compressed tier state aid.

**MODEL 3: PERCENTAGE REDUCTION TO REDUCE HOLD HARMLESS**

This model resets minimum revenue guaranteed under HB3646 at 90.155% of what it would be under current law for each district, and the district's ASATR is calculated based on this lower minimum revenue guarantee. Currently formula-funded districts are not affected by this model because the formulas generate entitlement for these districts in excess of the minimum revenue guarantee. Other districts are moved onto formula as their formula entitlement exceeds their reduced minimum revenue guarantee.

**Summary Information**

Reduction per WADA Amount Fiscal Year 2012:		Number of Districts and Charter Schools		
		Model 1	Model 2	Model 3
	\$0	376	0	113
	\$1 - \$250	371	2	288
<i>Statewide Average: \$323</i>	\$251 - \$500	208	1,213	398
	\$501 - \$750	66	11	406
	750 - \$1,000	68	5	20
	\$1,001 - \$1,500	68	0	6
	\$1,501 or more	73	0	0

  

District Revenue @ Compressed Rate per WADA:		Number of Districts and Charter Schools			
		Current Law	Model 1	Model 2	Model 3
	\$4,500 or less	4	5	48	49
<i>Statewide Average, 3 Models: \$5,031</i>	\$4,501 - \$5,000	279	309	740	808
	\$5,001 - \$5,500	648	889	252	240
<i>Statewide Average, Current Law: \$5,353</i>	\$5,501 - \$6,500	220	19	135	91
	\$6,501 - \$7,500	50	5	36	27
	\$7,501 - \$8,500	15	3	7	3
	> \$8,500	15	1	13	13

**School Finance Models: Reducing Entitlement by \$2 Billion/Year**  
 Prepared by LBB Staff, February 2011

	Current Law	Model 1	Model 2	Model 3
Number Formula Funded Districts & Charters	113	198	n/a	777
Statewide Total ASATR Hold Harmless	\$3.02 Billion	\$1.02 Billion	n/a	\$1.02 Billion

Categorical Analysis				
NBR		@Compressed Rate per WADA - Fiscal Year 2012		
ISDs	CATEGORY			
<b>Enrollment</b>		<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>
17	50,000 and over	(\$356)	(\$325)	(\$344)
29	25,000 to 49,999	(\$214)	(\$316)	(\$260)
49	10,000 to 24,999	(\$328)	(\$322)	(\$313)
71	5,000 to 9,999	(\$384)	(\$326)	(\$348)
87	3,000 to 4,999	(\$313)	(\$321)	(\$314)
124	1,600 to 2,999	(\$326)	(\$322)	(\$331)
138	1,000 to 1,599	(\$433)	(\$328)	(\$379)
241	500 to 999	(\$308)	(\$319)	(\$361)
474	Under 500	(\$435)	(\$330)	(\$401)
<b>District Type</b>		<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>
10	Major Urban	(\$403)	(\$327)	(\$385)
78	Major Suburban	(\$303)	(\$322)	(\$287)
39	Other Central City	(\$224)	(\$317)	(\$297)
154	Other Central City Suburban	(\$383)	(\$325)	(\$334)
71	Independent Town	(\$195)	(\$313)	(\$248)
23	Non-metropolitan Fast Growing	(\$546)	(\$336)	(\$426)
224	Non-metropolitan Stable	(\$325)	(\$321)	(\$320)
425	Rural	(\$436)	(\$330)	(\$368)
201	Charter Schools	(\$256)	(\$318)	(\$442)
<b>Wealth - 2009-10</b>		<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>
124	Under \$100,000 per WADA	(\$15)	(\$302)	(\$74)
189	\$100,000 - \$149,999 per WADA	(\$37)	(\$302)	(\$163)
157	\$150,000 - \$199,999 per WADA	(\$84)	(\$308)	(\$173)
260	\$200,000 - \$319,499 per WADA	(\$167)	(\$313)	(\$256)
137	\$319,500 - \$476,500 per WADA	(\$647)	(\$342)	(\$554)
157	Districts Subject to Recapture	(\$1,151)	(\$375)	(\$611)
206	Non-Taxing Districts	(\$244)	(\$318)	(\$420)
<b>STATE TOTAL</b>		<b>(\$323)</b>	<b>(\$323)</b>	<b>(\$323)</b>