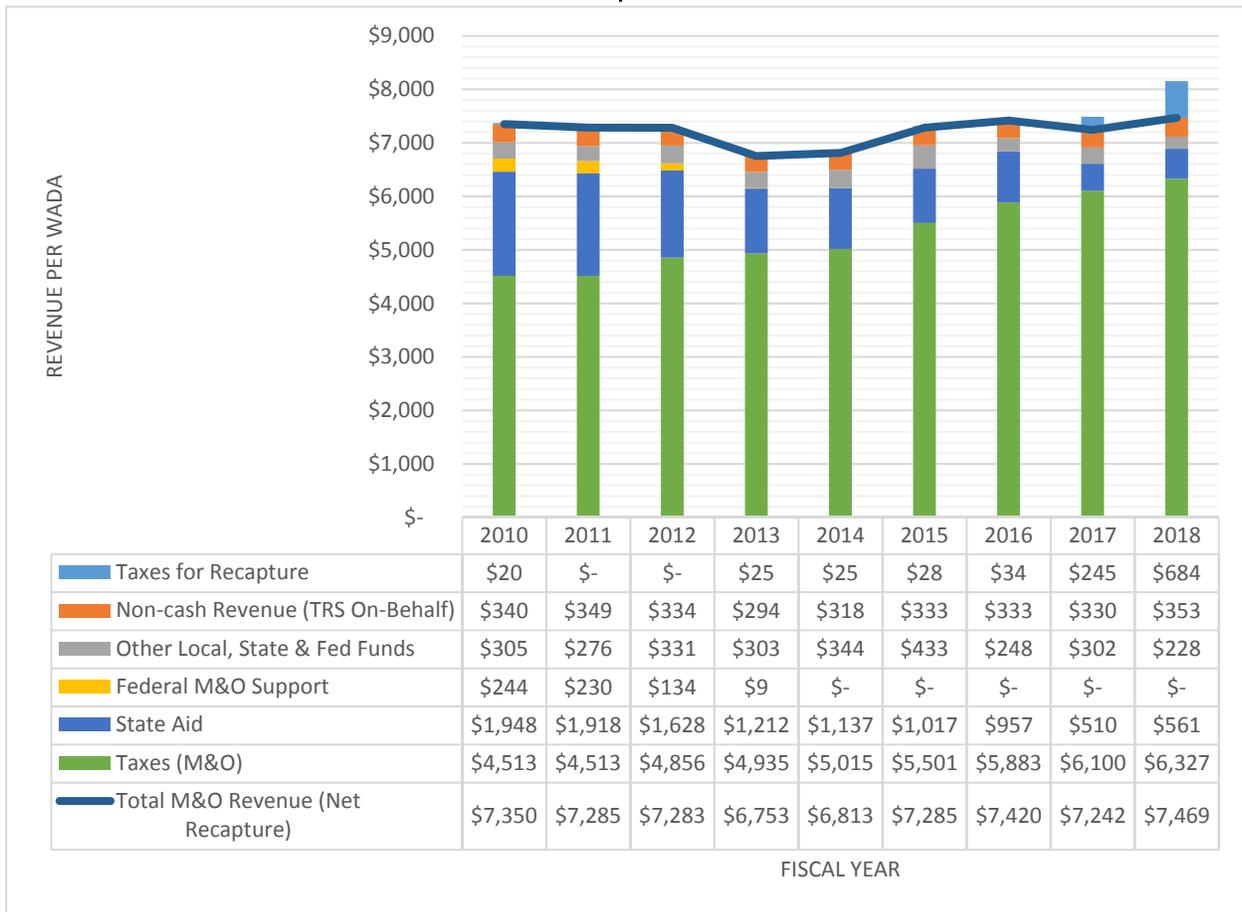


## General Fund Revenue per WADA



### Revenue Sources for District Operations

The above chart reflects actual revenue per weighted average daily attendance<sup>1</sup> (WADA) from Fiscal Year (FY) 2010 to 2017 and budgeted revenue per WADA for FY2018. The State of Texas determines the amount of state aid and local taxes that a district can have to operate its General Fund budget by legislatively enacted funding formulas.

The primary revenue source for Georgetown comes from tax collections. The second largest source of funds comes from state aid. Except for fiscal years

2011 and 2012, Georgetown ISD paid a portion of its tax revenues to the State of Texas in the form of recapture<sup>2</sup>.

Georgetown ISD has other local and federal revenues that come from tuition, athletic receipts, federal revenues, and small miscellaneous amounts. Though collectively these categories provide additional revenues from year to year, they do not individually represent a material portion of revenue.

From FY2010 through FY2012, the District received federal stimulus funds that supported overall

<sup>1</sup> Weighted average daily attendance (WADA) is the average daily attendance adjusted by the special population costs within the state funding formula. WADA takes into consideration the different cost of educating students from one district to another.

<sup>2</sup> Recapture is the amount of local taxes due to the State as a result of its equalized wealth funding system. Recapture is commonly referred to as “Robin Hood”. More on recapture will be addressed in a separate paper.

operations. In FY2010 and FY2011, state legislation incorporated these stimulus dollars into the state funding formula. The stimulus funding postponed for a couple of years the significant cuts that occurred in FY2013.

The district also posts non-cash revenues to recognize the state's support of the Teacher Retirement System. The corresponding expense is posted for the same amount to payroll costs. This revenue source is simply a recognition on local district books of expenditures made by the State of Texas for retirement benefits.

The District collects taxes locally, but not all tax dollars stay in the district. A portion of taxes is sent to the State in the form of recapture payments. From FY2010 to FY2017, the Georgetown ISD recapture payments ranged from \$25 - \$245 per WADA. Beginning FY2018, the recapture amount jumped to \$684 per WADA or \$9.5 million due to rising property values.

The district's recapture amount is expected to increase significantly over the next several years due to increasing district property values. The estimated amount for 2018-2019 is \$19.0 million. In the outlying years, recapture will continue to grow beyond that level of cost.

### Formula Driven Funding

The State formula driven funding amount is a combination of state aid, local tax effort and stimulus funding<sup>3</sup> and makes up most of operational revenues. The peak state formula driven funding<sup>4</sup> amount for Georgetown ISD occurred in FY2010 at \$6,705 per WADA. The comparable amount for FY2018 is \$6,888. The amount of state formula-driven funding for the district's operations has increased by \$183

over nine years. That represents 2.7% more revenue per student since FY 2010.

Starting in FY2014, taxpayers across the state began experiencing significant tax value increases due to a stronger economy and a stronger demand for housing. This has driven the market value of housing higher. Higher property values have resulted in higher tax collections.

At the same time that taxes were going up, the amount of state aid that GISD received was going down. Generally, there is an inverse relationship between state and local funds. As property taxes increase, state aid decreases.

This inverse funding relationship can be seen in the "Revenue per WADA" chart. In FY2010, state aid<sup>5</sup> was \$2,192 per WADA. By FY2018, it had fallen to \$561 per WADA for a reduction of \$1,631. Over the same period, local taxes (net of recapture) increased by \$1,814 per WADA.

### Who Benefits From Rising Property Values

As demonstrated in this paper, the obvious winner is the State due to its control over the funding mechanism for Texas public schools. As local districts experience rising property values, the result is higher tax collections. As tax collections increase, the state aid decreases. This helps the State reduce the overall amount that it contributes to public education

The State funding formula hinges on a minimum tax rate of \$1.00 per \$100 of taxable value. Districts whose tax collections continue to go up cannot reduce their M&O tax rate below the \$1.00 without experiencing a funding penalty. So increasing tax collections help the state to reduce its overall cost for public education.

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<sup>3</sup> Stimulus funds were only available from FY 2009 to FY 2011.

<sup>4</sup> In FY 2010, funding per WADA included state aid (\$1,948), local taxes (\$4,513) and federal stimulus (\$244) for a total of \$6,705.

<sup>5</sup> State aid includes the federal stimulus dollars which were included as a part of the state funding formulas for FY 2010 and 2011.