



LEGISLATIVE BUDGET BOARD

Overview of Additional State Aid for Tax Reduction (ASATR) Hold Harmless

PRESENTED TO HOUSE COMMITTEE ON APPROPRIATIONS AND THE HOUSE
COMMITTEE ON PUBLIC EDUCATION
LEGISLATIVE BUDGET BOARD STAFF

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Public Education and House Appropriations Committee Joint Charge

Current law requires the elimination on September 1, 2017, of Additional State Aid for Tax Relief (ASATR), which was intended to offset the cost of tax-rate compressions enacted in 2006. Review how this loss of funding would impact school districts.

Additional State Aid for Tax Reduction (ASATR)

Additional State Aid for Tax Reduction, or ASATR, also commonly referred to as Hold Harmless, is the second of two funding components which make up Tier 1.

ASATR was first enacted in 2006 and has since been modified in subsequent legislative sessions. It was developed as a hold harmless mechanism to guarantee that districts would not lose revenue as a result of legislation requiring districts to compress their property tax rates by one-third over a two-year period.

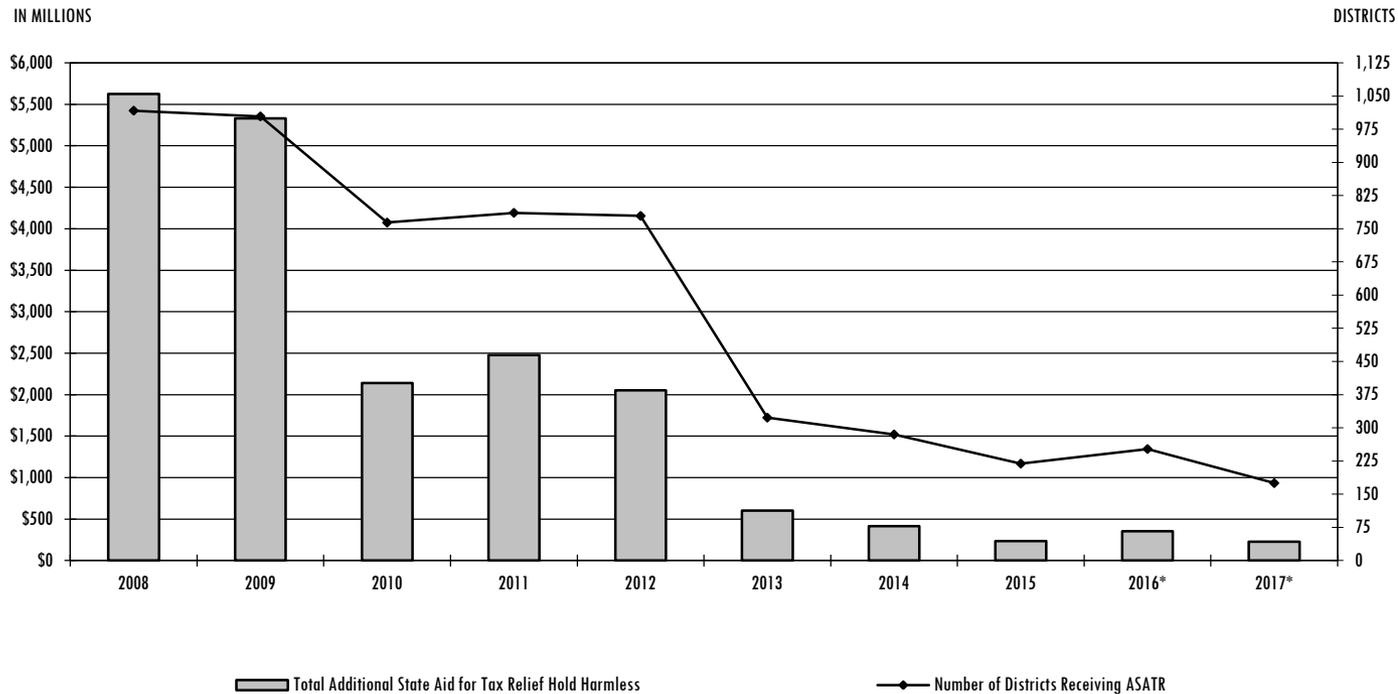
Under ASATR, each district has a Target Revenue amount, or an amount that each district is entitled to based on a district's legacy FSP entitlement, as determined by the best of three different calculations, prior to fiscal year 2007.

If a district's Tier 1 formula funding is less than its Target Revenue, the district receives the difference as "Hold Harmless" state aid.

Total ASATR Funding and Number of Districts Receiving ASATR, Fiscal Years 2008 to 2017

Since the 2008-09 biennium, there are two major reasons for significant decrease in the total cost and number of hold harmless districts:

- (1) Multiple increases in formula funding since 2008-09;
- (2) Most of the entitlement reduction taken in 2013 was taken via a decrease in revenue targets, while the entitlement increases since that time have been as general formula increases



Hold Harmless Expiration and Statistics

Pursuant to legislation enacted in 2011, the Hold Harmless structure began phasing out in fiscal year 2013 through the “Hold Harmless Reduction Percentage,” which decreased Target Revenue for districts receiving Hold Harmless state aid.

The entire hold harmless mechanism expires at the end of fiscal year 2017.

	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
Total Cost to the State of Hold Harmless (in millions)	\$414.2	\$235.3	\$340.0	\$225.4
Number of ISDs Receiving Hold Harmless	285	219	249	175
Percent of ISDs Receiving Hold Harmless	28.0%	21.5%	24.7%	17.2%



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