Summary of Financial Impact of the Proposed Notrees Windpower LP Project Expansion on the Finances of the Kermit ISD Under A Requested Chapter 313 Property Value Limitation

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Prepared by

MOAK, CASEY & ASSOCIATES
TEXAS SCHOOL FINANCE EXPERTS

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Introduction

Notrees Windpower LP (Notrees) has requested that the Kermit ISD (KISD) consider granting an expansion to its existing Chapter 313 value limitation for its renewable electric wind generation project. An application was submitted to KISD on September 13, 2011 related to the construction of an adjacent battery storage facility. The original application was filed September 2, 2008 with respect to the project's wind generation assets. Notrees proposes to add an estimated $27.4 million in taxable value for the expansion that will appear on the local tax roll for the 2013-14 school year.

The estimates presented here reflect updated estimates for the original wind project and the addition of the value associated with the expansion. With the expansion and the revisions to the taxable value of the existing wind project, the maximum out-year taxable value is expected to be $150.8 million for the 2013-14 school year. It should be noted that even with the expansion, the Notrees project falls well below the estimates of taxable value that were projected in the Company's 2008 application. The original estimates projected a taxable value of $239 million for the 2013-14 school year, prior to consideration of the expansion.

The Notrees project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, the original language in Chapter 313 of the Tax Code made companies engaged in manufacturing, research and development, and renewable electric energy production eligible to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal project expansions, nuclear power generation and data centers, among others.

School Finance Mechanics

Under the provisions of Chapter 313, KISD approved a value limitation of $10 million for the Notrees project in 2008. The two-year qualifying time period began with the 2009-10 school year. The actual taxable value of the investment reached $168.2 million in 2011-12—the first year the $10 million value limitation was applied--with depreciation expected to reduce the taxable value of the original project and the expansion over the course of the value limitation agreement. The full taxable value of the project and its expansion can be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with KISD currently levying a $0.217 I&S tax rate per $100 of taxable value.

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct their property value study and now the planned audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project expansion value throughout the qualifying and value limitation period (and thereafter). The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

For the school finance system that operated prior to the approval of House Bill 1 (HB 1) in the 2006 special session, the third year was problematical for a school district that approved a Chapter 313 value limitation. In year three (2011-12) of the agreement, the $143.6 million project went on the local tax roll at $10 million. The same $10 million value limit would apply to the original project and the expansion, when the new expansion value goes on the local tax roll for the 2013-14 school year. This difference for the 2011-12 school year resulted in a revenue loss to the District of $56,170 that would not be reimbursed by the state, but require some type of compensation from the applicant under the revenue protection provisions of the agreement. In years 4-10, only a very small revenue loss in the 2013-14 school year is anticipated when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study.

HB 1 established a "target" revenue system per student that has the effect of largely neutralizing the third-year revenue losses associated with Chapter 313 property value limitations, at least up to a district's compressed M&O tax rate. The additional four cents of tax effort that a district may levy are subject to an enriched level of equalization (or no recapture in the case of Chapter 41 school district) and operate more like the pre-HB 1 system. A value limitation must be analyzed for any potential revenue loss associated with this component of the M&O tax levy. For tax effort in excess of the compressed plus six cents rate, equalization and recapture occur at the level of $319,500 per weighted student in average daily attendance (WADA). In the case of the Notrees project, the estimates prepared for the 2011-12 school year show a $1.1 million state aid offset in the form of additional state aid for tax reduction (ASATR), which is a product of the target revenue system.

Under HB 3646—the school finance system changes approved by the Legislature in 2009—the starting point is the target revenue provisions from HB 1, that are then expanded through the addition of a series of school funding provisions that had operated previously outside the basic allotment and the traditional formula structure, as well as an additional $120 per WADA guarantee.

Under the provisions of HB 3646, school districts had the potential to earn revenue above the $120 per WADA level, up to a maximum of $350 per WADA above current law. Initial estimates indicate that about 700 school districts are funded at the minimum $120 per WADA level, while approximately 300 school districts are expected to generate higher revenue amounts per WADA. This is significant because changes in property values and related tax collections under a Chapter 313 agreement once again have the potential to affect a school district's base revenue, although probably not to the degree experienced prior to the HB 1 target revenue system.

One key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the Notrees project expansion, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f) (1) of the Tax Code to provide school district revenue protection language in the agreement.

Underlying Assumptions

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The Chapter 313 application now requires 15 years of data and analysis on the project expansion being considered for a property value limitation.

The approach used here is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. The current SB 1 reductions are reflected in the underlying models. With regard to ASATR funding, the 92.35 percent reduction enacted for the 2012-13 school year is maintained through the 2016-17 school year. Consistent with the statement of legislative intent, it is assumed for the purposes of these estimates that ASATR funding in eliminated in the 2017-18 school year. The Regular Program Adjustment Factor (RPAF) is held at 0.98 for the 2012-13 through 2016-17 school years and then increased to 1.0 (or 100 percent) beginning with the 2017-18 school year, when ASATR funding is expected to be eliminated under the current statement of legislative intent and all districts will be operating on formula-funding levels.

Student enrollment counts are held constant at 1,125 students in average daily attendance (ADA) in analyzing the effects of the Notrees project expansion on the finances of KISD. The District's local tax base reached approximately $800 million for the 2011 tax year. While the district's tax base has experienced some volatility in recent years due largely to changes in mineral values and the addition of the wind project to the local tax roll, the underlying $800 million taxable value for 2011-12 is maintained for the forecast period in order to isolate the effects of the property value limitation. KISD is a property-wealthy district, with wealth per weighted WADA of approximately $569,512 for the 2011-12 school year. These assumptions are summarized in Table 1.

School Finance Impact

A baseline model was prepared for KISD under the assumptions outlined above through the 2025-26 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88th percentile or Austin yield that influence future state funding. In the analyses for other districts and applicants on earlier project expansions, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a second model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed Notrees facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A third model is developed which adds the Notrees value but imposes the proposed property value limitation effective in the third year, which in this case is the 2011-12 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue protection provisions of the proposed agreement (see Table 3). An M&O tax rate of $1.04 per $100 of taxable value is used throughout this analysis.

A summary of the differences between these models is shown in Table 4. The model results show approximately $10.4 million a year in net General Fund revenue, after recapture and other adjustments have been made. With the elimination of ASATR funding in the 2017-18 school year under the current statement of legislative intent, KISD would see a reduction of nearly $1 million per year in the absence of additional state funding formula changes. This results from KISD's current target revenue of $5,956 per WADA, which exceeds the state average by about $800 per WADA.

Under these assumptions, KISD experienced a revenue loss as a result of the implementation of the value limitation in the 2011-12 school year (-$56,170). The revenue reduction results from the mechanics of the four cents not subject to recapture, which reflect the one-year lag in value associated with the property value study. The ASATR funding increase of $1.1 million offset about $1.1 million in the M&O tax reduction for the first $1.00 of M&O tax effort. It appears that a small difference exists in the 2013-14 school year when the expansion value is added, but beyond that the changes in the state property value study and ASATR for the applicable years appear to offset most of the reduction in M&O tax revenue associated with the value limitation, along with a reduction in the District's recapture costs.

One change that has been incorporated into these models is a more precise estimate of the deduction from the property value study conducted by the Comptroller's Office. At the school district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect.

Under the property value study conducted by the Comptroller's Office, however, only a single deduction amount is calculated for a property value limitation and the same value is assigned for the M&O and I&S calculations under the school funding formulas. The Comptroller's Office indicates that this methodology will be changed to a two-value approach for Chapter 313 districts, effective with the 2011 tax year property value study that will be used to calculate state aid and recapture in the 2012-13 school year.

Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. A $1.04 per $100 of taxable value M&O rate is assumed in 2010-11 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total $10.2 million over the life of the agreement. In addition, Notrees would be eligible for a tax credit for taxes paid on value in excess of the value limitation in each of the first two years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13. The tax credits are expected to total approximately $3.0 million over the life of the agreement, with no unpaid tax credits anticipated. (The school district is to be reimbursed by the state for the tax credit payments.) The key KISD revenue losses are associated with the additional four-cent levy not subject to recapture and expected to total approximately -$59,049 over the course of the agreement. In total, the potential net tax benefits are estimated to be $13.1 million over the life of the agreement, given the current estimates of the value of the Notrees project and its expansion.

Facilities Funding Impact

The Notrees project expansion remains fully taxable for debt services taxes, with KISD currently levying a $0.217 I&S rate. The value of the Notrees project and its expansion is expected to depreciate over the life of the agreement and beyond, but full access to the additional value will add to the District's project wealth per ADA that is currently well above what is provided for through the state's facilities program. The additional value is expected to help reduce the District's current I&S tax rate, with the rate reduction diminishing as the project and its expansion value depreciates.

Conclusion

The proposed Notrees wind energy project and the subsequent expansion enhance the tax base of KISD. It reflects continued capital investment in renewable electric energy generation, one of the goals of Chapter 313 of the Tax Code, also known as the Texas Economic Development Act.

Under the assumptions outlined above, the potential tax benefits under a Chapter 313 agreement could reach an estimated $13.1 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District and prior to any supplemental payments made to KISD under its Chapter 313 agreement. The additional taxable value also enhances the tax base of KISD in meeting its future debt service obligations.

Table 1 – Base District Information with Notrees Windpower LP Project and Expansion Value and Limitation Values

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
1	2009-10	1,134.55	1,818.61	$1.0400	$0.2061	$1,200,166,387	$1,200,166,387	$1,021,157,298	$1,021,157,298	$561,506	$561,506
2	2010-11	1,125.22	1,829.94	$1.0400	$0.2167	$1,119,987,936	$1,119,987,936	$1,206,647,820	$1,206,647,820	$659,390	$659,390
3	2011-12	1,125.00	1,682.48	$1.0400	$0.2167	$986,145,786	$852,529,206	$1,125,569,472	$1,125,569,472	$668,993	$668,993
4	2012-13	1,125.00	1,758.11	$1.0400	$0.2167	$977,528,791	$852,529,206	$990,290,198	$856,673,618	$563,271	$487,271
5	2013-14	1,125.00	1,758.11	$1.0400	$0.2167	$993,304,885	$852,529,206	$981,673,203	$856,673,618	$558,370	$487,271
6	2014-15	1,125.00	1,758.11	$1.0400	$0.2167	$984,258,344	$852,529,206	$997,449,297	$856,673,618	$567,343	$487,271
7	2015-16	1,125.00	1,758.11	$1.0400	$0.2167	$975,754,596	$852,529,206	$988,402,756	$856,673,618	$562,198	$487,271
8	2016-17	1,125.00	1,758.11	$1.0400	$0.2167	$967,761,073	$852,529,206	$979,899,008	$856,673,618	$557,361	$487,271
9	2017-18	1,125.00	1,785.07	$1.0400	$0.2167	$960,247,161	$852,529,206	$971,905,485	$856,673,618	$544,465	$479,912
10	2018-19	1,125.00	1,785.07	$1.0400	$0.2167	$953,184,083	$852,529,206	$964,391,573	$856,673,618	$540,256	$479,912
11	2019-20	1,125.00	1,785.07	$1.0400	$0.2167	$946,544,791	$946,544,791	$957,328,495	$856,673,618	$536,299	$479,912
12	2020-21	1,125.00	1,785.07	$1.0400	$0.2167	$940,303,856	$940,303,856	$950,689,203	$950,689,203	$532,579	$532,579
13	2021-22	1,125.00	1,785.07	$1.0400	$0.2167	$934,437,377	$934,437,377	$944,448,268	$944,448,268	$529,083	$529,083
14	2022-23	1,125.00	1,785.07	$1.0400	$0.2167	$928,922,886	$928,922,886	$938,581,789	$938,581,789	$525,797	$525,797
15	2023-24	1,125.00	1,785.07	$1.0400	$0.2167	$923,739,266	$923,739,266	$933,067,298	$933,067,298	$522,708	$522,708

***Tier II Yield: $47.65; AISD Yield: $59.97; Equalized Wealth: $476,500 per WADA**

Table 2– "Baseline Revenue Model"—Project and Expansion Value Added with No Value Limitation

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2009-10	$11,862,875	$573,866	$115,699	$0	-$1,458,811	$473,898	$24,217	$0	$11,591,745
2	2010-11	$11,066,338	$620,893	$2,157,004	$0	-$2,824,474	$442,078	$0	$0	$11,461,839
3	2011-12	$9,120,430	$280,992	$2,272,577	$0	-$1,318,482	$364,343	$19,044	$0	$10,738,903
4	2012-13	$8,347,106	$368,598	$2,235,314	$0	-$1,195,671	$333,450	$21,565	$0	$10,110,362
5	2013-14	$8,467,399	$400,486	$887,460	$0	$0	$338,256	$83,687	$0	$10,177,289
6	2014-15	$8,378,739	$368,598	$1,144,177	$0	-$136,168	$334,714	$75,160	$0	$10,165,220
7	2015-16	$8,295,398	$405,189	$1,102,969	$0	-$48,210	$331,385	$78,722	$0	$10,165,453
8	2016-17	$8,217,058	$483,939	$1,054,350	$0	$0	$328,255	$82,074	$0	$10,165,675
9	2017-18	$8,143,418	$632,301	$0	$0	$0	$325,313	$91,525	$0	$9,192,557
10	2018-19	$8,074,196	$707,444	$0	$0	$0	$322,548	$94,498	$0	$9,198,685
11	2019-20	$8,009,128	$778,078	$0	$0	$0	$319,949	$97,296	$0	$9,204,450
12	2020-21	$7,947,963	$844,475	$0	$0	$0	$317,505	$99,929	$0	$9,209,872
13	2021-22	$7,890,469	$906,887	$0	$0	$0	$315,208	$102,407	$0	$9,214,971
14	2022-23	$7,836,424	$965,555	$0	$0	$0	$313,049	$104,739	$0	$9,219,767
15	2023-24	$7,785,622	$1,020,703	$0	$0	$0	$311,020	$106,933	$0	$9,224,278

Table 3– "Value Limitation Revenue Model"—Project and Expansion Value Added with Value Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2009-10	$11,862,875	$573,866	$115,699	$0	-$1,458,811	$473,898	$24,217	$0	$11,591,745
2	2010-11	$11,066,338	$620,893	$2,157,004	$0	-$2,824,474	$442,078	$0	$0	$11,461,839
3	2011-12	$7,784,197	$280,992	$3,400,745	$0	-$1,110,417	$310,963	$16,254	$0	$10,682,733
4	2012-13	$8,445,111	$368,598	$1,038,123	$0	-$96,485	$337,365	$77,841	$0	$10,170,552
5	2013-14	$8,445,111	$368,598	$1,038,123	$0	-$96,485	$337,365	$77,841	$0	$10,170,552
6	2014-15	$8,445,111	$368,598	$1,038,123	$0	-$96,485	$337,365	$77,841	$0	$10,170,552
7	2015-16	$8,445,111	$405,189	$1,001,532	$0	-$96,485	$337,365	$77,841	$0	$10,170,552
8	2016-17	$8,445,111	$483,939	$922,782	$0	-$96,485	$337,365	$77,841	$0	$10,170,552
9	2017-18	$8,445,111	$420,093	$0	$0	$0	$337,365	$84,208	$0	$9,286,777
10	2018-19	$8,445,111	$483,939	$0	$0	$0	$337,365	$84,208	$0	$9,350,623
11	2019-20	$9,366,510	$420,093	$0	$0	$0	$374,173	$93,396	$0	$10,254,171
12	2020-21	$9,305,345	$483,939	$0	$0	-$889,644	$371,730	$46,849	$0	$9,318,219
13	2021-22	$9,247,851	$405,189	$0	$0	-$828,914	$369,433	$49,308	$0	$9,242,867
14	2022-23	$9,193,806	$483,939	$0	$0	-$771,790	$367,274	$51,622	$0	$9,324,852
15	2023-24	$9,143,004	$405,189	$0	$0	-$718,057	$365,245	$53,799	$0	$9,249,180

Table 4 – Value Limit less Project and Expansion Value with No Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
1	2009-10	$0	$0	$0	$0	$0	$0	$0	$0	$0
2	2010-11	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	2011-12	-$1,336,233	$0	$1,128,168	$0	$208,065	-$53,380	-$2,790	$0	-$56,170
4	2012-13	$98,005	$0	-$1,197,191	$0	$1,099,186	$3,915	$56,276	$0	$60,191
5	2013-14	-$22,289	-$31,888	$150,662	$0	-$96,485	-$890	-$5,846	$0	-$6,736
6	2014-15	$66,372	$0	-$106,054	$0	$39,682	$2,651	$2,681	$0	$5,332
7	2015-16	$149,713	$0	-$101,438	$0	-$48,275	$5,981	-$881	$0	$5,100
8	2016-17	$228,053	$0	-$131,568	$0	-$96,485	$9,110	-$4,233	$0	$4,877
9	2017-18	$301,693	-$212,208	$0	$0	$0	$12,052	-$7,317	$0	$94,221
10	2018-19	$370,915	-$223,505	$0	$0	$0	$14,817	-$10,290	$0	$151,938
11	2019-20	$1,357,382	-$357,985	$0	$0	$0	$54,225	-$3,900	$0	$1,049,722
12	2020-21	$1,357,382	-$360,536	$0	$0	-$889,644	$54,225	-$53,080	$0	$108,347
13	2021-22	$1,357,382	-$501,698	$0	$0	-$828,914	$54,225	-$53,099	$0	$27,896
14	2022-23	$1,357,382	-$481,616	$0	$0	-$771,790	$54,225	-$53,117	$0	$105,084
15	2023-24	$1,357,382	-$615,514	$0	$0	-$718,057	$54,225	-$53,134	$0	$24,901

Table 5 - Estimated Financial impact of the Notrees Windpower LP Project and Expansion Property Value Limitation Request Submitted to KISD at $1.04 M&O Tax Rate

School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
2009-10	$168,200,000	$168,200,000	$0	$1.040	$1,749,280	$1,749,280	$0	$0	$0	$0	$0
2010-11	$143,842,150	$143,842,150	$0	$1.040	$1,495,958	$1,495,958	$0	$0	$0	$0	$0
2011-12	$143,616,580	$10,000,000	$133,616,580	$1.040	$1,493,612	$104,000	$1,389,612	$0	$1,389,612	-$56,170	$1,333,443
2012-13	$134,999,585	$10,000,000	$124,999,585	$1.040	$1,403,996	$104,000	$1,299,996	$198,272	$1,498,268	$0	$1,498,268
2013-14	$150,775,679	$10,000,000	$140,775,679	$1.040	$1,568,067	$104,000	$1,464,067	$215,365	$1,679,433	-$6,736	$1,672,696
2014-15	$141,729,138	$10,000,000	$131,729,138	$1.040	$1,473,983	$104,000	$1,369,983	$205,564	$1,575,547	$0	$1,575,547
2015-16	$133,225,390	$10,000,000	$123,225,390	$1.040	$1,385,544	$104,000	$1,281,544	$196,350	$1,477,894	$0	$1,477,894
2016-17	$125,231,867	$10,000,000	$115,231,867	$1.040	$1,302,411	$104,000	$1,198,411	$187,689	$1,386,100	$0	$1,386,100
2017-18	$117,717,955	$10,000,000	$107,717,955	$1.040	$1,224,267	$104,000	$1,120,267	$179,547	$1,299,814	$0	$1,299,814
2018-19	$110,654,877	$10,000,000	$100,654,877	$1.040	$1,150,811	$104,000	$1,046,811	$171,895	$1,218,705	$0	$1,218,705
2019-20	$104,015,585	$104,015,585	$0	$1.040	$1,081,762	$1,081,762	$0	$1,307,164	$1,307,164	$0	$1,307,164
2020-21	$97,774,650	$97,774,650	$0	$1.040	$1,016,856	$1,016,856	$0	$375,393	$375,393	$0	$375,393
2021-22	$91,908,171	$91,908,171	$0	$1.040	$955,845	$955,845	$0	$0	$0	$0	$0
2022-23	$86,393,680	$86,393,680	$0	$1.040	$898,494	$898,494	$0	$0	$0	$0	$0
2023-24	$81,210,060	$81,210,060	$0	$1.040	$844,585	$844,585	$0	$0	$0	$0	$0
				Totals	$19,045,471	$8,874,780	$10,170,691	$3,037,239	$13,207,930	-$62,906	$13,145,024

Tax Credit for Value Over Limit in First 2 Years	Year 1	Year 2	Max Credits
	$1,645,280	$1,391,958	$3,037,238
	Credits Earned		$3,037,238
	Credits Paid		$3,037,238
	Excess Credits Unpaid		$0

***Note:** School District Revenue-Loss estimates are subject to change based on numerous factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year appraisals of project values, and changes in school district tax rates. One of the most substantial changes to the school finance formulas related to Chapter 313 revenue-loss projections could be the treatment of Additional State Aid for Tax Reduction (ASATR). Legislative intent is to end ASATR in 2017-18 school year. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.**