

July 15, 2016

To the Administrator Addressed:

Subject: Official Notification of Chapter 41 Status for 2016–2017

This letter is official notification of your district's Chapter 41 status for the 2016–2017 school year. It allows your district to move forward with election preparation, if necessary.

We estimate that your district's wealth per resident student in weighted average daily attendance (WADA) will exceed the equalized wealth level (EWL) of \$319,500, as established by the Texas Education Code (TEC), §41.002(a)(3). This estimate is based on the T2 property value certified by the Texas Comptroller's Property Tax Assistance Division (PTAD) for the tax year 2015 and the projected number of resident WADA for the 2016–2017 school year. **Because the final certified property values from the PTAD were not available in time for us to use them in providing official notification, we have used the revised preliminary values. Once the final certified values are available, we will review the data and notify you if your wealth per WADA falls below the equalized wealth level and you will no longer have to comply with the provisions of Chapter 41 for the 2016-2017 school year. The final values will ultimately be used to determine Chapter 41 equalization requirements.**

For the upcoming school year, 2016–2017, the first EWL is \$514,000 per WADA, and the third EWL remains \$319,500 per WADA. A district identified as having a wealth level between \$319,500 and \$514,000 per WADA will not pay recapture unless its adopted tax rate for maintenance and operations (M&O) exceeds its compressed rate plus six pennies.

Based on current data, your district will be required to reduce its wealth per WADA for the 2016–2017 school year using one or more of the statutory options available.

On receipt of this letter, your district must submit the district intent/choice selection form through the Chapter 41 subsystem of the online Foundation School Program (FSP) system to the Texas Education Agency (TEA) indicating 1) whether the district charges tuition to nonresident students and 2) which option the district intends to exercise to equalize its wealth level for the 2016–2017 school year. According to the TEC, §41.004(c), as a district that has been notified of its Chapter 41 status, your district may not adopt a tax rate for the 2016–2017 school year until the commissioner of education certifies your district's intent/choice selection form.

For detailed information on all the procedures your district is required to follow as a Chapter 41 district, see the *Manual for Districts Subject to Wealth Equalization 2016–2017 School Year*, available on the TEA Chapter 41 Wealth Equalization web page at <http://tea.texas.gov/index2.aspx?id=25769817562>.

Estimates for 2016–2017

The enclosed printout provides information about the calculations affecting your district. The printout calculates wealth per WADA assuming no tuition is charged to educate nonresident students, and calculates the wealth per WADA assuming tuition is charged. If tuition is charged, the WADA of those students for whom tuition is charged is subtracted from the district's Chapter 42 WADA to derive Chapter 41 WADA. You are receiving this letter because one of the calculations of wealth per WADA for your district exceeds \$319,500 based on current estimates.

Districts New to Chapter 41 Status

Under current law, a district with property wealth per WADA above the EWL has the following five options available to reduce its wealth per resident student:

- 1) Consolidate with another district,
- 2) Detach property,
- 3) Purchase attendance credits from the state (Option 3),
- 4) Contract to educate nonresident students (Option 4), and/or
- 5) Consolidate tax bases with another district.

In the past, most districts have selected Option 3 or Option 4 or a combination of both options. An election is required when exercising any form of Option 3 or Option 4. Provisions in the TEC, §42.2516(f), allow some districts to offset recapture costs against Chapter 42 funds. As a result, if your district is notified of its Chapter 41 status for the first time in the 2006–2007 school year or later and your district's Chapter 42 funding for the school year exceeds recapture costs for the same year, your district can take advantage of these offset provisions without the need to conduct an election. Districts using this option are still required to submit the district intent/choice selection form and complete a netting contract, which can be found in the *Manual for Districts Subject to Wealth Equalization 2016–2017 School Year*.

Additional information about elections, as well as sample ballot proposition language, is provided in the *Manual for Districts Subject to Wealth Equalization 2016–2017 School Year*. You may also wish to call the Office of the Texas Secretary of State at 1-800-252-8683 or visit that office's website at <http://www.sos.state.tx.us/> for assistance with election calendars and procedures.

Final Determination Regarding Payment of Recapture Costs

The TEA will make a final determination regarding the payment of recapture costs based on the 2016 tax rate levied by your district, the amount of local M&O taxes collected by your district in 2016–2017, your district's final property value for tax year 2015, and its final 2016–2017 WADA. For more information, please see the Chapter 41 Wealth Equalization web page, or contact Kim Wall in the State Funding Division at (512) 463-4809 or kim.wall@tea.texas.gov.

Sincerely,

Al McKenzie
Director of State Funding

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Enclosures