

July 18, 2013

Subject: Official Notification of Chapter 41 Status for 2013–2014

To the Administrator Addressed:

This letter is official notification of your district's Chapter 41 status for the 2013–2014 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 property value certified by the Texas Comptroller's Property Tax Assistance Division (PTAD) for the tax year 2012 and the projected number of resident WADA for the 2013–2014 school year.

For the upcoming school year, 2013–2014, the first EWL is \$495,000 per WADA, and the third EWL remains \$319,500 per WADA. A district identified as having a wealth level between \$319,500 and \$495,000 per WADA will not pay recapture unless its adopted maintenance and operations (M&O) tax rate exceeds its compressed rate plus six pennies.

Based on current data, your district will be required to reduce its wealth per WADA for the 2013–2014 school year using one or more of the statutory options available.

On receipt of this letter, your district must provide the Texas Education Agency (TEA) with an intent letter informing us 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 2013–2014 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 2013–2014 school year until the commissioner of education certifies your district's intent letter.

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 2013–2014 School Year*, available on the TEA Chapter 41 Wealth Equalization web page at http://www.tea.state.tx.us/index2.aspx?id=6796&menu_id=645.

Estimates for 2013–2014

The enclosed printouts provide information about the calculations affecting your district. One printout calculates wealth per WADA assuming no tuition is charged to educate nonresident students, and the other calculates 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. In 2006, the Texas Legislature authorized Chapter 41 districts to offset their costs of recapture against new state funding, which is provided for the purposes of property tax relief (see the TEC, §42.2516). Subsequently, the legislature passed additional provisions that allow a Chapter 41 district to forgo the requirement to conduct an election to authorize one or more options if the Chapter 42 funding for the school year exceeds the recapture costs for that same year (see the TEC, §42.2516[f]). These provisions allow a district to offset its recapture costs against its 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, it can take advantage of these offset provisions without the need to conduct an election. Districts using this option are still required to submit a letter of intent and complete a netting contract, which can be found in the *Manual for Districts Subject to Wealth Equalization 2013–2014 School Year*.

Additional information about elections, as well as sample ballot proposition language, is provided in the *Manual for Districts Subject to Wealth Equalization 2013–2014 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 2013 tax rate levied by your district, the amount of local M&O taxes collected by your district in 2013–2014, your district's final property value for tax year 2013, and its final 2013–2014 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.state.tx.us.

Sincerely,

Amanda Brownson
Director of State Funding

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Enclosures