

Chapter 41 Questions and Answers

Question: How does the Texas Education Agency (TEA) identify districts as being subject to wealth equalization provisions of Chapter 41?

Answer: The TEA identifies districts with a property wealth per student in weighted average daily attendance (WADA) above the statutory wealth limit of \$319,500. Districts are identified in the summer before the relevant school year based on estimated WADA and final prior-year property values from the Comptroller's Property Tax Assistance Division.

Question: How does my district's decision to charge tuition to transfer students impact its Chapter 41 status?

Answer: Transfer students who are not charged tuition are added to the district's WADA count. If these additional WADA are sufficient to bring the district below the limit of \$319,500, the district will not be subject to Chapter 41.

Question: Once my district is officially identified in July, what do I need to do to receive permission to adopt a tax rate?

Answer: Districts identified as Chapter 41 must complete and return the Chapter 41 District Intent form via the Chapter 41 subsystem of the online Foundation School Program (FSP) System to the TEA indicating which option the district will use to equalize wealth. Once the form is submitted and approved, we will send a return letter granting permission to adopt the tax rate.

Question: What is the purpose of the sample contracts in the Chapter 41 Manual?

Answer: Districts using Option 3 (purchasing attendance credits) or Option 4 (contracting to educate nonresident students from another district) must submit a signed contract to the TEA. Contracts must be signed and dated by the superintendent, board president, and board secretary. Districts seeking an early agreement credit under Option 3 must submit the contract to the TEA by September 1. All other contracts are due to the TEA by January 15.

Question: What is the difference between Option 3 and Option 3 netting?

Answer: Under the netting option, districts agree to allow TEA to withhold state aid under Chapter 42 as a means of satisfying the cost of purchasing attendance credits. Using this option allows districts that became Chapter 41 in the 2006–2007 school year or later to avoid the cost of holding an election. The netting option is only available to districts that anticipate earning more in state FSP revenue under Chapter 42 than they will owe to the state under the recapture provisions of Chapter 41.

Question: What does my district need to do to exercise the netting option?

Answer: Your district must submit an Option 3 netting contract to TEA by January 15, or by September 1 if you wish to receive an early agreement credit (see the Chapter 41 Manual for sample contracts). Your district must also select “choice 1” on the Chapter 41 choice selection form in the Chapter 41 subsystem of the online FSP system.

Question: How does my district make payments to TEA under Option 3?

Answer: Under Texas Education Code (TEC) 41.094, your district must make payments to the TEA in 7 equal monthly installments beginning February 15 and ending August 15 of the relevant school year. You can use standard wiring instructions available on the TEA Chapter 41 website.

Question: What if I do not agree with the data being used by the TEA to estimate my district’s current-year recapture cost?

Answer: We encourage districts to use the Chapter 41 subsystem of the online FSP system to submit updated data regarding the district’s anticipated tax collections and student counts. Districts that do so can pay recapture based on estimates that use these data. Data must be updated in the system by January 15 or districts will be held accountable for making current-year payments based on the TEA estimates.

Question: How does our district settle-up with the TEA once final data are available to calculate the cost of recapture?

Answer: The district will undergo two rounds of settle-up with TEA: one is associated with the Near-Final Cost of Recapture Report in September following the relevant school year, and a second is associated with the Final Cost of Recapture Report in the following May. The Near-Final report will include all final data elements except final tax collections, which will be incorporated into the May Final Report from the J-1 schedule of the district’s annual financial report.